



**Calhoun: The NPS Institutional Archive**  
**DSpace Repository**

---

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

---

1967-06

The role of the appropriation sponsor in the  
administration of operation and maintenance,  
Navy funds

Brady, James A.

George Washington University

---

<http://hdl.handle.net/10945/26737>

---

*Downloaded from NPS Archive: Calhoun*



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**

<http://www.nps.edu/library>

**NPS ARCHIVE**  
**1967**  
**BRADY, J.**

THE ROLE OF THE APPROPRIATION  
SPONSOR IN THE ADMINISTRATION  
OF OPERATION AND MAINTENANCE,  
NAVY FUNDS

by James A. Brady

June 1967

Thesis  
B7975

LIBRARY  
NAVAL POSTGRADUATE SCHOOL  
MONTEREY, CALIF. 93940



THE ROLE OF THE APPROPRIATION  
SPONSOR IN THE ADMINISTRATION  
OF OPERATION AND MAINTENANCE,  
NAVY FUNDS

by James A. Brady

June, 1967





# THE JOURNAL OF THE ROYAL ANTHROPOLOGICAL INSTITUTE OF GREAT BRITAIN AND IRELAND

1911

Volume 41

Part I  
Part II

Published by the Royal Anthropological Institute of Great Britain and Ireland, 21, BEDFORD SQUARE, LONDON, W.C.1.

1911

Published by the Royal Anthropological Institute of Great Britain and Ireland, 21, BEDFORD SQUARE, LONDON, W.C.1.

Part I

Part II



THE ROLE OF THE APPROPRIATION SPONSOR IN  
THE ADMINISTRATION OF OPERATION AND  
MAINTENANCE, NAVY FUNDS

by

James A. Brady

B. A. , Western State College, 1949  
M. B. A. , University of Denver, 1950

A thesis submitted to the School of Government and Business  
Administration of The George Washington University in  
partial fulfillment of the requirements for the degree  
of Master of Public Administration

June, 1967

Thesis approved by

Karl E. Stromsem, Ph. D.

Professor of Public Administration









## TABLE OF CONTENTS

	Page
LIST OF ILLUSTRATIONS . . . . .	iv
 Chapter	
I. INTRODUCTION . . . . .	1
II. THE NAVY ORGANIZATION . . . . .	7
III. PLANNING, PROGRAMMING, AND BUDGETING . . . . .	15
General	
Appropriation Structure	
Budget Formulation	
Review and Authorization	
Budget Execution	
IV. THE APPROPRIATION SPONSOR FOR OPERATION AND MAINTENANCE, NAVY FUNDS . . . . .	28
Specific Responsibilities	
DCNO (Logistics) and the Assistant for Programs and Budget	
Assistant for Programs and Budget (OP-04D) Responsibilities	
The O&M, N Budget Cycle	
How the Assistant for Programs and Budget Carries Out His Responsibilities	
V. MAJOR ACTIVITY SPONSORS . . . . .	43
Activity 1: General Expenses, Navy Personnel	
Activity 2: Weapons and Facilities	
Activity 3: Ships and Facilities	
Activity 4: Medical Care	
Activity 5: Civil Engineering	
Activity 6: Servicewide Supply	
Activity 7: Servicewide Operations	
Activity 8: Naval Petroleum and Oil Shale Reserves	



Chapter	Page
VI. OTHER APPROPRIATION SPONSOR RELATIONSHIPS . .	69
The Navy Comptroller	
The Office of the Chief of Naval Material	
VII. SUMMARY . . . . .	82
BIBLIOGRAPHY . . . . .	93





## LIST OF ILLUSTRATIONS

Figure		Page
1.	Organization of the Office of Chief of Naval Operations . . .	8
2.	Department of the Navy, Organization Chart . . . . .	9
3.	Administrative Chain of Command, Chief of Naval Operations . . . . .	11
4.	Department of the Navy, Revised Organization . . . . .	13
5.	The Chief of Naval Operations Administrative Organization prior to May 1, 1966 . . . . .	14



## CHAPTER I

### INTRODUCTION

The planning and programming necessary to derive the Navy Programming System<sup>1</sup> is a major function of the Office of the Chief of Naval Operations (CNO). It is through the proper execution of this function that the effort of the entire Navy is initially guided and subsequently controlled. The effectiveness with which these responsibilities are carried out is a measure of the performance of the Department of the Navy and is significantly reflected in the Navy's role in the total defense effort.<sup>2</sup>

This study is an attempt to evaluate how the CNO is organized for optimum programming, planning, and budgeting to facilitate the decision-making process. A review of this total process would be an exceedingly large task and beyond the parameters of this thesis. In order to observe this process, a segment of the CNO organization was selected for analysis.

The element of the CNO organization chosen for this purpose is the Appropriation Sponsor for Operations and Maintenance, Navy (O&M, N)

---

<sup>1</sup>The term "programming system" is defined as the total process of developing, submitting, and implementing approved programs of the Navy.

<sup>2</sup>U.S. Department of the Navy, Office of the Chief of Naval Operations, Navy Programming Manual, Part I, OPNAV 90-1, 1964, p. I-1-1.





funds and his responsibility for the administration of these monies. This Navy Appropriation Sponsor, more commonly known as the Deputy Chief of Naval Operations (DCNO) for Logistics, is responsible for coordinating and justifying the programs under his cognizance at all stages in the budget process. His responsibility includes the justification of programs within his area of operation--for example, representing the CNO, as the principal witness on program requirements during Congressional hearings on the budget.<sup>1</sup>

The purpose of the O&M, N appropriation is to provide funds to operate and maintain naval forces and their supporting shore establishment so that these forces are maintained in a high state of readiness.<sup>2</sup> From a financial point of view, O&M, N is an important segment in that it constitutes 22 per cent of the Navy's annual budget.

The scope of this analysis is limited to the O&M, N appropriation administered within the CNO organization. Therefore, it excludes those funds appropriated directly to the Commandant of the Marine Corps.

The methodology of this study was to evaluate the responsibilities of the Appropriation Sponsor as set forth in the Navy Programming Manual<sup>3</sup>

<sup>1</sup> Ibid.

<sup>2</sup> U.S. Department of the Navy, Office of the Comptroller, The Budget Process in the Navy, October, 1959, p. 55.

<sup>3</sup> The Navy Programming Manual is the standard reference document for all aspects of the Navy Programming System.



and other pertinent public documents and compare this responsibility with the performance of the various organizational elements which render support to him in the O&M, N area.

In the next chapter, the Navy organizational structure is analyzed to indicate the Appropriation Sponsor's position in the Navy hierarchy. The Department of Defense Planning, Programming, and Budgeting System (PPBS) is next evaluated to provide information on the implications of the System's objectives and its effect on the Appropriation Sponsor. With the Navy organization and PPBS as a background, the specific responsibilities of the Appropriation Sponsor are reviewed. In conjunction with these responsibilities, the duties and responsibilities of the Office of the Assistant for Programs and Budget (OP-04D) to the O&M, N Appropriation Sponsor are examined. This office is charged with providing total information and staff support to the Sponsor.

The interview technique was used because there was no single set of written procedures available. Interviews were held with the personnel of the Office of the Assistant for Programs and Budget and the eight Major Activity Sponsors who provide the substantive management information necessary for the Appropriation Sponsor to carry out his assigned duties.

The interviews with the Assistant for Programs and Budget and the eight Major Activity Sponsors centered on the following questions:

What is the role of an Appropriation Sponsor?

What is the role of a Major Activity Sponsor?





What financial information do you obtain for OM&N funds? Is it adequate? Would better communication or computer service help to accomplish your objectives? What are your views on an integrated data system?

As a Major Activity Sponsor, how do you visualize your relationship with the appropriation O&MN? Could this relationship be improved?

Could the O&MN Sponsor benefit by any organizational improvements or staffing to support the Major Activity Sponsor?

Could the Major Activity Sponsor benefit by any organizational improvements or staffing to support the Appropriation Sponsor?

How does the procedure on witnesses for program requirements work? Who does the justifying? How is coordination with other Activity Sponsors accomplished?

How is coordination of program and major activity program objectives accomplished?

What guidance do you get from the Appropriation Sponsor?

How are priorities and size of programs determined?

How is the presentation and justification of programs accomplished at the various echelons of the budget review cycle?

How do you accomplish the continuous review of status and performance of programs funded under budgets of the Appropriation Sponsor?





How is liaison accomplished with appropriation Administrators (Bureaus, CNM, Systems Commands, and Offices) to keep currently informed of fiscal actions relating to the appropriation during all phases of budget formulation? Are there organization problems? Are there staffing problems? What can be done to benefit or implement organizational improvements?

Additionally, interviews were held with personnel of the Office of the Chief of Naval Material (CNM) and the Office of the Navy Comptroller (NAVCOMPT). These two offices provide support to the Appropriation Sponsor but are not within the well-defined communication channels of the immediate CNO organization. Only those questions that were pertinent to CNM and NAVCOMPT were used in the interviews with these organizations because they perform functions different from those of the Major Activity Sponsor. The questions were limited to the role of the Appropriation Sponsor, the financial information received, the presentation, justification, and review of budgets, and the liaison involved. Additionally, discussions were held on the services performed by CNM and NAVCOMPT in the O&M, N area and how these relate to the Appropriation Sponsor.

Of the questions asked each Major Activity Sponsor, those that related to the roles and relationships of the Appropriation Sponsor and the MAS, guidance from the Appropriation Sponsor, size and priorities of programs, and the ability to monitor the budget execution were given greatest response, and indicated a difference in performance between the



responsibilities of the Appropriation Sponsor as set forth in the Navy Programming Manual and that actually experienced. Generally speaking, the response to organizational and staffing problems, as well as liaison problems, did not make an important contribution to the study except in OP-04D where all three areas are significant problems.

The conclusions of this study are based on the comparison of the applicable written regulations and procedures with the personal interviews conducted, in the hope that the following question may be answered: "Is the CNO, O&M, N Appropriation Sponsor organized in an optimum manner to facilitate the Navy's management decision-making process?"





## CHAPTER II

### THE NAVY ORGANIZATION

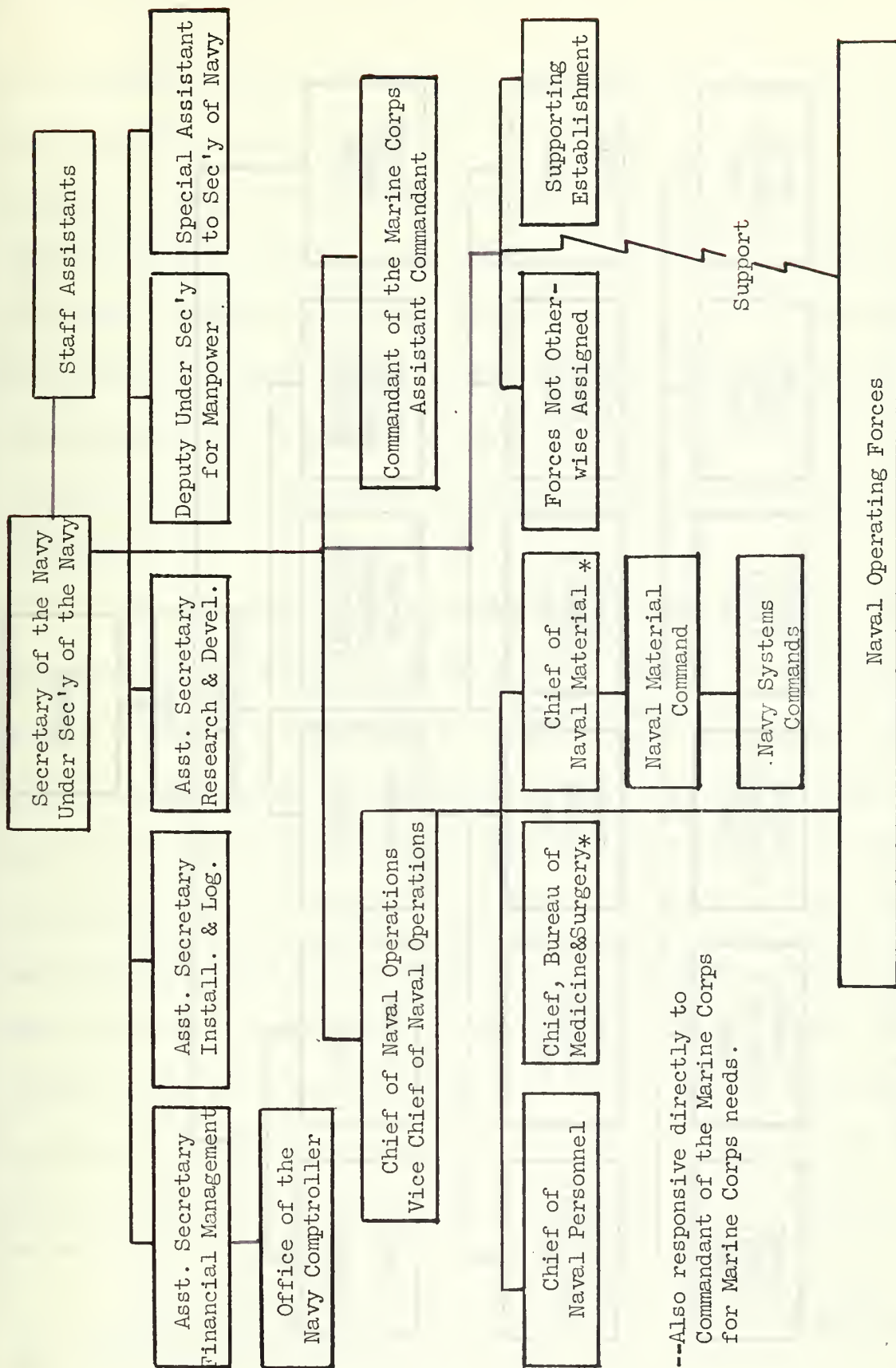
Before analyzing the Appropriation Sponsor's role, it is necessary to understand his position in the organizational structure of the Navy. The organization of the Department of the Navy provides for two distinct chains of command: one for operational control and the other for administrative matters. (See Fig. 1.) At the top of this dual-type structure is the Chief of Naval Operations (CNO). The Appropriation Sponsor for the O&M, N, the Deputy Chief of Naval Operations (Logistics), functions as one of the CNO's principal assistants. (See Fig. 2.)

The Commanders in Chief of the Atlantic and Pacific Fleets report to the CNO on matters of training, logistical support, and administration.

Fleet operations are conducted through the operational control chain of command by Task Force Commanders. When a mission must be performed, an organization is activated for this purpose within the existing Task Fleet which has the responsibility for the geographical area involved. The First, Seventh, Second, and Sixth Fleets are the currently existing Task Fleets that carry out the actual operations of the Navy in the Pacific and Atlantic Ocean areas. The Task Force activated for a specific mission has its own hierarchy of command and exists only from the time







\*--Also responsive directly to Commandant of the Marine Corps for Marine Corps needs.

Fig. 1.--Department of the Navy



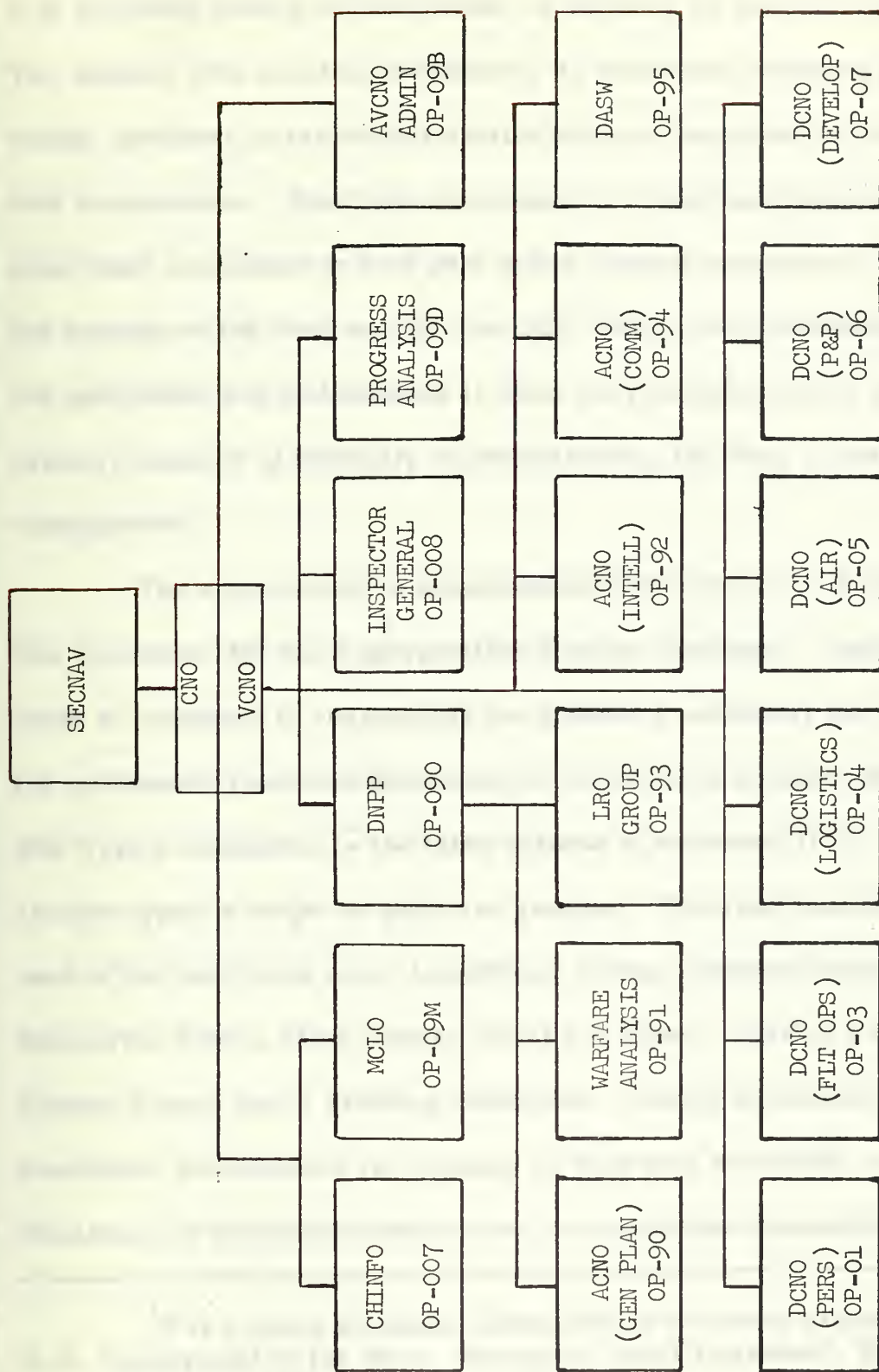


Fig. 2 --Organization of the Office of Chief of Naval Operations





it is activated until it is deactivated as directed by the force commander. The officers who man the positions in its command structure generally occupy positions in the administrative chain of command as their permanent duty assignments. The Type Commanders concerned designate the ships from their commands to take part in the planned operations. Because of the mission of the Navy and its "on call" nature, the scheduling of ships for operations and maintenance is often very complex and is one of the primary sources of difficulty in administering the Navy's financial management.<sup>1</sup>

The administrative organization is permanent in nature. It is in this structure that the Appropriation Sponsor functions. The administrative chain of command is responsible for providing continuity and insuring that the maintenance and administration of the ships is carried out effectively. The Type Commander is the third echelon of command (Fig. 3), under whom similar types of ships or units are grouped. The type commands within each of the two fleets are: Amphibious Force, Cruiser-Destroyer Force, Submarine Force, Mine Force, Naval Air Force, Service Force, Fleet Marine Force, and a Training Command. Each type command is further subdivided into flotillas (or groups, as they may be called), squadrons, and divisions, to coordinate matters and to consolidate communication between

---

<sup>1</sup>For a more complete discussion of the naval organization, see U.S. Department of the Navy, Bureau of Naval Personnel, Naval Orientation, NAVPERS 16138-D, 1961, p. 210.



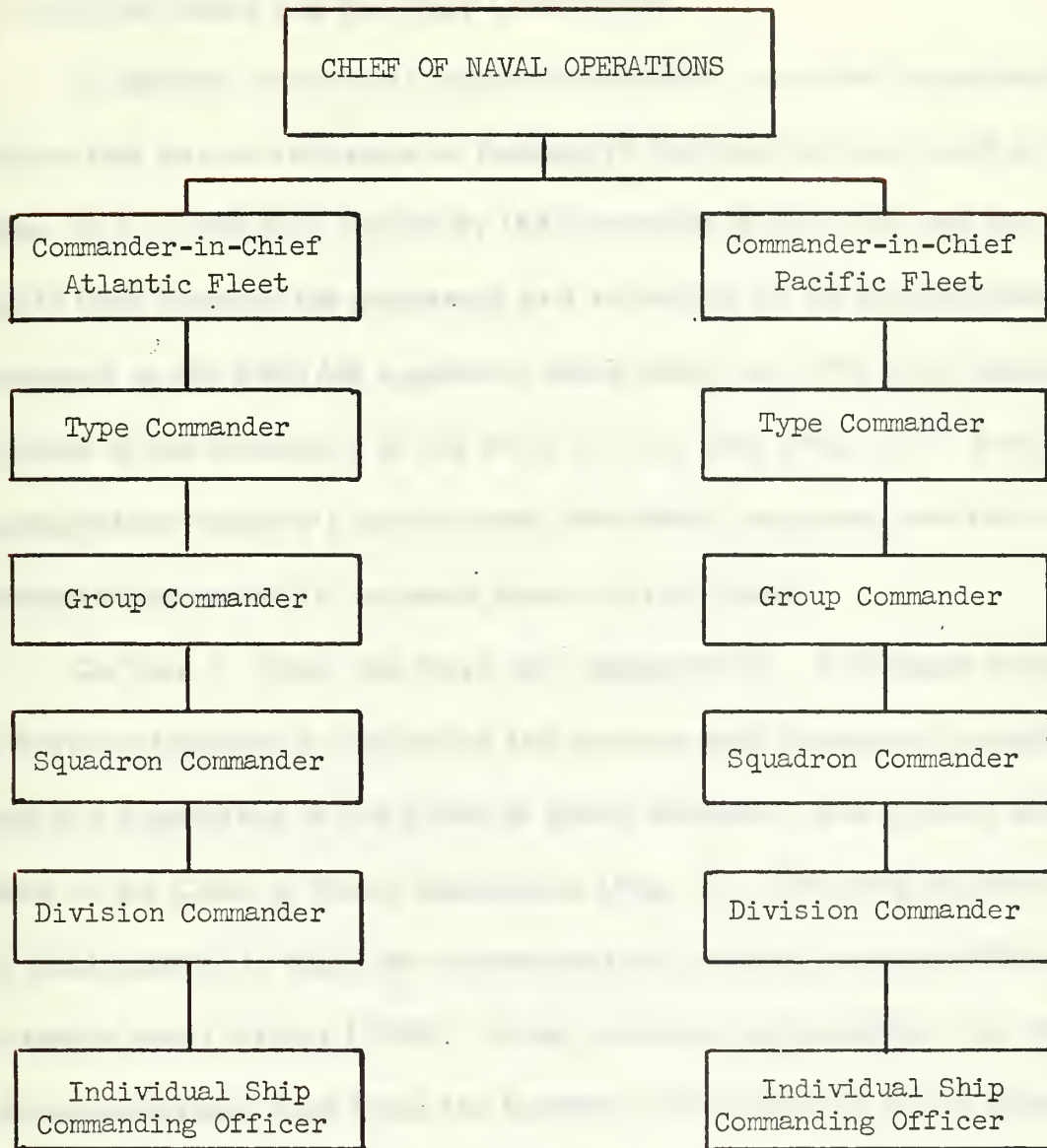


Fig. 3.--Administrative Chain of Command,  
Chief of Naval Operations





the individual ships and the Type Commander.<sup>1</sup>

In addition to the dual chain of command, the other organizational element that has an influence on funding is the headquarters staff in Washington, D.C., which is headed by the Secretary of the Navy and the CNO. This is true because the programs are submitted by all administrative commands to the CNO for approval, after which the CNO must obtain concurrence of the Secretary of the Navy and his staff (Fig. 1).<sup>2</sup> It is the Appropriation Sponsor's involvement with these programs and their administration which is the main theme of this study.

On May 1, 1966, the Navy was reorganized. It changed much of the bureau structure by replacing the bureaus with Systems Commands under the cognizance of the Chief of Naval Material, who in turn was to report to the Chief of Naval Operations (Fig. 4). This new organization was implemented to align the operational and funding responsibilities under the senior naval officer (CNO). In the previous organization, the channel of communications went from the bureaus to the Chief of Naval Material, via the Under and Assistant Secretaries, to the Secretary of the Navy (Fig. 5). Under this system, many of the management decisions were made without any consultation or guidance from the CNO.<sup>3</sup>

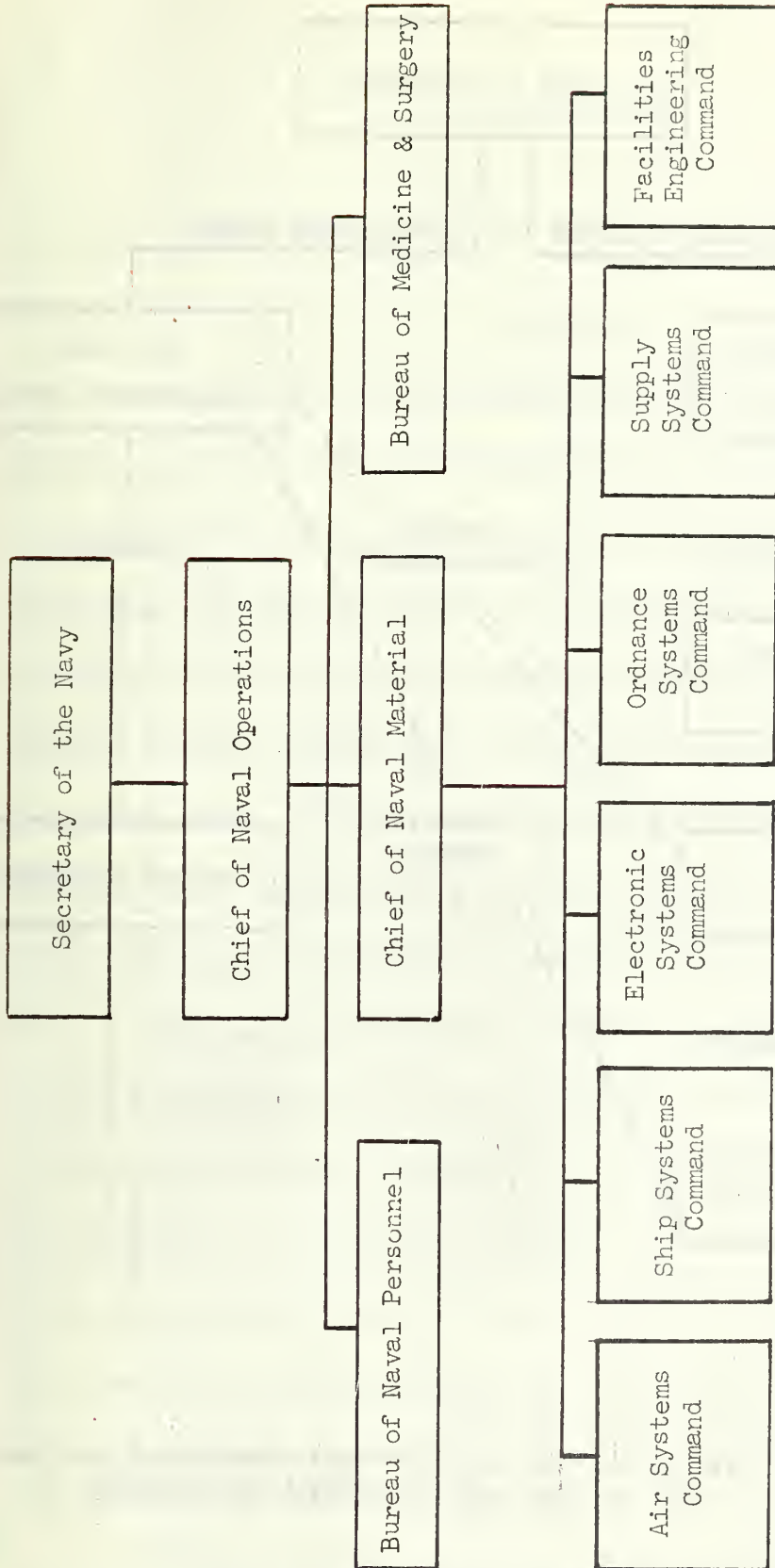
---

<sup>1</sup>Interview with Captain R. C. Barnhart, USN, Assistant for Programs and Budget, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, January 4, 1967.

<sup>2</sup>U.S. Department of the Navy, Office of the Chief of Naval Operations, The Navy Planning System, OPNAV Instruction 5000.19C, August 13, 1963, Enclosure 3, p. 1.

<sup>3</sup>From interview with Captain Barnhart.



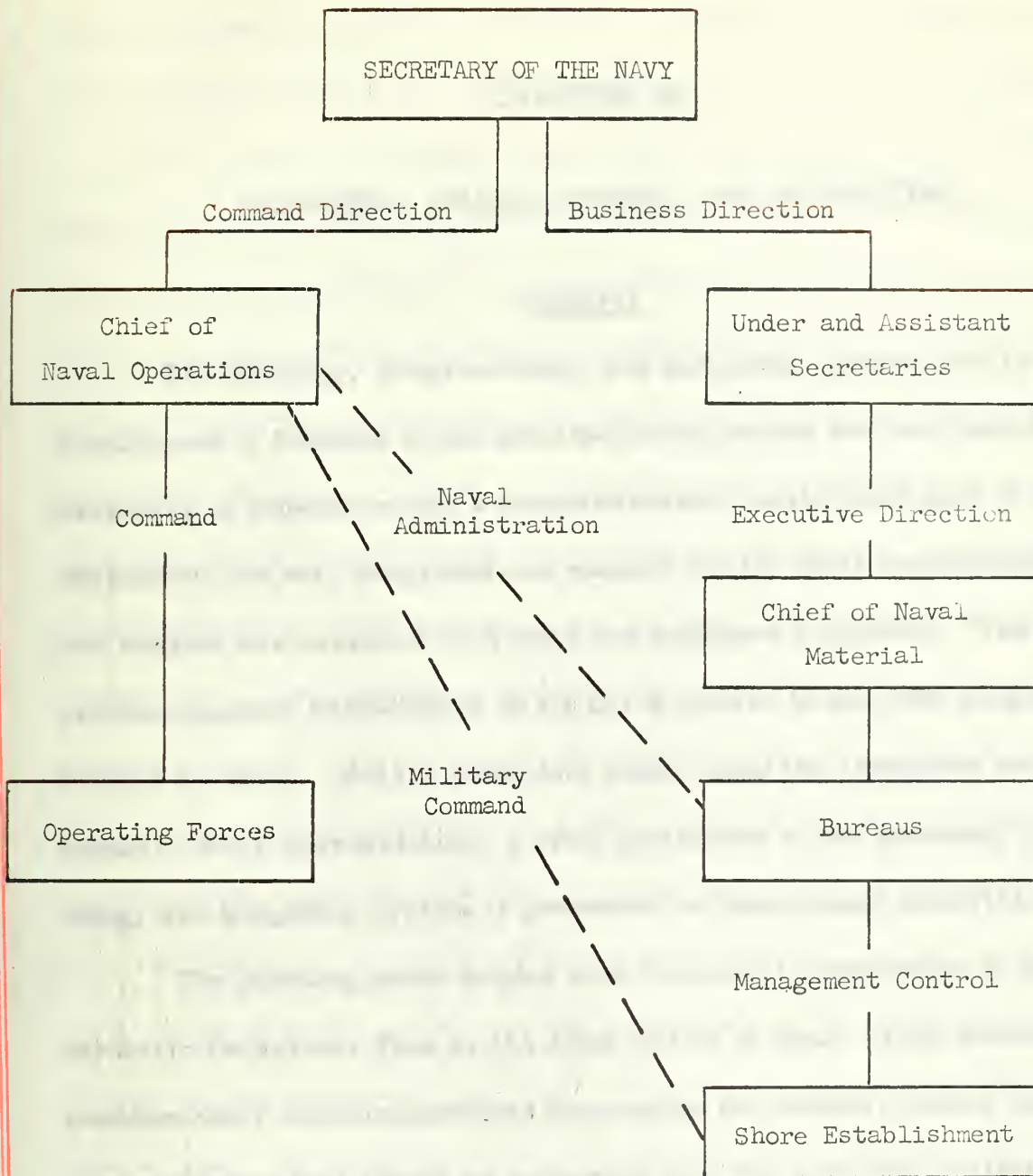


Source: Navy Times, May 16, 1966, p. 3.

Fig. 4.--Department of the Navy, Revised Organization







Source: U. S. Department of the Navy, Bureau of Naval Personnel, Naval Orientation, NAVPERS 16138-D 1961, p. 194

Fig. 5.--The Chief of Naval Operations Administrative Organization prior to May 1, 1966.





## CHAPTER III

### PLANNING, PROGRAMMING, AND BUDGETING

#### General

The planning, programming, and budgeting system used in the Department of Defense is the principal management tool with which the Secretary of Defense molds a comprehensive, world-wide plan of action.<sup>1</sup> Objectives are set, programs are mapped out for their accomplishment, and budgets are prepared to finance the approved programs. The Appropriation Sponsor participates in all of the phases in the DOD program that involve the Navy. Before going into detail about the Operation and Maintenance, Navy appropriation, a brief discussion of the planning, programming, and budgeting system is presented as background material.

The planning phase begins with the annual preparation of the Joint Strategic Objectives Plan by the Joint Chiefs of Staff. This document contains their recommendations concerning the military forces and military programs that should be supported over the next five to eight years. Each spring the Secretary of Defense reviews the Joint Strategic Objectives Plan and makes his preliminary decisions regarding the forces and programs described. On the basis of the "tentative force guidance" that

---

<sup>1</sup>Charles J. Hitch, Decision Making for Defense (Berkeley and Los Angeles: University of California Press, 1965), p. 39.



emerges from this review, the services prepare their change proposals to the basic plan of the nation's defense posture, the Five-Year Defense Plan.<sup>1</sup>

The Five-Year Defense Plan is divided into eight major programs that cut across traditional armed service boundaries. The programs are: Strategic Retaliatory Forces; Continental Air and Missile Defense Forces; General Purpose Forces; Airlift and Sealift Forces; Reserve and Guard Forces; Research and Development; General Support; and Military Assistance Program.<sup>2</sup> Each program is, in turn, divided into program elements which are defined as integrated combinations of men, equipment, and installations whose effectiveness can be related to national security objectives.<sup>3</sup> For example, the Amphibious Assault Force is one of many elements that constitute the General Purpose Forces. The force structure document gives program data, a description of the forces involved, tasks and missions, procurement lists, facility lists, and describes all the program elements in physical terms, such as missiles and ships, as well as in monetary terms. In this way the input (dollars) and output (physical items) for each element is shown.<sup>4</sup> Military forces are projected eight years ahead, and all other data, both physical and financial, are projected

---

<sup>1</sup>Ibid., p. 31.

<sup>2</sup>U.S. Department of the Navy, Office of the Director of the Program Information Center, Presentation Notes for DOD Programming System in the Department of the Navy, October, 1965, p. 26.

<sup>3</sup>Hitch, op. cit., p. 32.

<sup>4</sup>Ibid., p. 38.





five years into the future. The military mission structure and the long-range planning horizon employed in the Five-Year Defense Plan are the two major characteristics of the Department of Defense Planning, Programming, and Budgeting System.<sup>1</sup>

With the planning and programming accomplished, the final phase in the process consists of translating the approved programs from their mission-oriented format in the Five-Year Defense Plan into an appropriation structure where they will become the basis for the Navy's segment of the Department of Defense budget.<sup>2</sup>

#### Appropriation Structure

The Constitution provides that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law."<sup>3</sup> The money that is made available each year to operate the Fleet comes from the annual appropriation entitled "Operation and Maintenance, Navy." It can be defined as a statutory authority to make payments out of the Treasury for the purpose of operating and maintaining the ships in the Navy's attack, amphibious assault, antisubmarine, anti-air warfare, and submarine

---

<sup>1</sup> U.S. Department of the Navy, Presentation Notes for DOD Programming System . . ., op. cit., p. 13.

<sup>2</sup> U.S. Department of the Navy, Navy Programming Manual, op. cit., p. I-2-3.

<sup>3</sup> United States Constitution, Article 1, Sec. 9 (7).





forces.<sup>1</sup> The Operation and Maintenance, Navy appropriation is composed of three levels of sub-categories with the first level consisting of eight major activities. These are: General Expenses; Navy Personnel; Ships and Facilities; Weapons and Facilities; Medical Care; Civil Engineering; Servicewide Supply; Servicewide Operations; and Naval Petroleum Reserves.<sup>2</sup> This study is concerned with the Appropriation Sponsor's relationship with the Major Activity Sponsors of these activities and the support he receives from the Office of the Navy Comptroller and the Chief of Naval Material.

#### Budget Formulation

Development of the budget in the Navy is largely a matter of bureau, office, and systems command responsibility, since each bureau, office, or systems command is required to prepare the budget for those activities for which it has management responsibility. In this way, financial and management responsibility is kept aligned within the organizational pattern.<sup>3</sup> The bureaus, offices, and systems commands are charged with the tasks of formulating their budgets, justifying the requests at all levels of review, and executing the budget. Justification of the various programs requiring

---

<sup>1</sup>U.S. Bureau of the Budget, Appendix to the Budget of the United States Government for the Fiscal Year Ending June 30, 1967 (Washington: U.S. Government Printing Office, 1966), p. 376.

<sup>2</sup>U.S. Department of the Navy, Office of the Comptroller, Budget Digest, Fiscal Year 1967, December, 1966, pp. 54-57.

<sup>3</sup>U.S. Department of the Navy, The Budget Process in the Navy, op. cit., pp. 2-12.



dollar support is handled by the Appropriation Sponsor and his staff within the Office of the Chief of Naval Operations.<sup>1</sup>

The budgeting phase of the Department of Defense Planning, Programming, and Budgeting System is theoretically done by breaking down the financial requirements for the program elements contained in the Five-Year Defense Plan into the proper appropriation structure categories and then integrating all the parts into a budget. This can be done for any year of the five years covered by the force structure document.<sup>2</sup>

In practice, the budgeting cycle of the bureaus, offices, and systems commands begins in November when they call for the financial requirements (without justification) of the Atlantic and Pacific Fleets so that program objectives can be prepared by them. These program objectives are the financial objectives that those commands would like to achieve for the budget under preparation. Usually in November the budget call is issued for the amounts of money the two Fleet Commanders estimate that they will need for the fiscal year two years hence. The replies of the Fleet Commanders are based upon the requests of their Type Commanders for funds and reflect past usage data, expected force level increases, and the expected tempo of operations.<sup>3</sup>

---

<sup>1</sup> Interview with Captain Barnhart.

<sup>2</sup> Hitch, op. cit., p. 38.

<sup>3</sup> Interview with Mr. M. R. Rohall, Supervisory Budget Officer, Active Fleet Programs, Comptroller Division, Ship Systems Command, March 8, 1967.





The program objectives thus obtained are submitted in March to the Chief of Naval Operations and the Deputy Comptroller, who review them and set upper limits on the appropriations. These limits usually involve a reduction of the submitted figures. The reductions are divided among the Bureaus, Offices, and Systems Commands receiving funds from the several appropriations. Within each of these organizations the cuts are further distributed to the budget activity level where they are typically applied to those larger programs that are not as easily defended as others. For example, a reduction in the program objective for the Operation and Maintenance, Navy appropriation may result in a Major Activity Sponsor absorbing a portion of the cut.<sup>1</sup>

Some of the large programs are difficult to change. Fuel funds are typical, in that it is difficult to reduce them, because experience shows that pleas for fuel conservation generally are not effective. In fact, consumption sometimes increases after the request. Overhaul funds and restricted availability funds (which pay for emergency repairs at shipyards) are subject to reduction, but the effects of cuts can often be dramatically portrayed and defended. This leaves funds for alterations to vessels and supplies and equipage funds especially susceptible to being decreased.<sup>2</sup>

To Bureau, Office, and Systems Command claims that underfunding supplies and equipage results in consumption being greater than inventory

---

<sup>1</sup> Ibid.

<sup>2</sup> Ibid.





replacement, a condition that causes ships to be unable to maintain their prescribed material allowance levels, the budget examiners typically respond with: "How large are your allowance deficiencies, and how significant are they?" At the present time, the Navy has encountered difficulty in answering these questions, because the allowances for supplies and equipage are based on estimates and are therefore subject to error and bias.<sup>1</sup>

Without giving the Fleets any indication of the final program objectives, the Bureaus, Offices, and Systems Commands request justification in February for the funds requested in November. This information is used later to defend the budget that is formulated.<sup>2</sup>

During April and May, the Bureau, Office, and Systems Command budget personnel engage in the preparation of Program Change Requests (PCR) for those programs requiring significant funding increases (or decreases). The Program Change Requests are due in June and are extensively reviewed prior to being submitted to the Secretary of Defense. Sometimes the decisions dealing with individual PCR's are made fairly soon after the June deadline, while at other times the decisions are delayed until December. Until a final decision is made by the Secretary, however, budget officers at all echelons must prepare budgets based on previously approved funding levels as well as on the proposed levels. The

---

<sup>1</sup>Ibid.

<sup>2</sup>Ibid.



coordination and review of the PCR's is monitored and controlled by the Appropriation Sponsor and his staff within the Office of the Chief of Naval Operations.<sup>1</sup>

#### Review and Authorization

The first step in the budget review process begins in August when the Navy Comptroller examines the budget. If he makes cuts in the budget, the reasons for the cuts are presented to the Bureaus, Offices, and Systems Commands, which may then argue their case. Unresolved cases at these levels may be referred to the Secretary of the Navy if any party feels strongly that the cut should be restored. The Secretary has the final responsibility for the Navy's budget, and in any given year his objective will probably fall somewhere along a broad spectrum of choices. These range from a determination of the amount of money he feels is necessary to fulfill the Navy's program responsibilities to that of getting the best possible naval program within the assigned budget limitations. After he has made his decisions, the budget must undergo the two final steps in the budget review process. Because of the size and complexity of the Defense budget, the reviews of the Secretary of Defense and the Bureau of the Budget are combined. These reviews occur in early October. The Defense Secretary is concerned with getting the best defense program

---

<sup>1</sup> Interview with William E. Elliott, Assistant for Budget to the Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 17, 1967.







within his assigned budget limitation, while the Bureau of the Budget aims to get the best budget for the government within the framework of the Administration's fiscal policy and program goals. At whatever level considered, the review process is one of aligning the budget requests in order to achieve the best possible over-all program with the funds likely to be granted by the Congress.<sup>1</sup>

Finally, the President's budget is presented to the Congress. Work commences in the House of Representatives where, by custom, all appropriation bills originate. The House Appropriation Committee delegates the military portion of the budget to the Subcommittee on Department of Defense Appropriations, which conducts detailed hearings on the budget.<sup>2</sup> The committee members concentrate their attention on the items that represent the largest increases from the previous budget, and they usually, though not always, adopt a position of guarding the Treasury. As Aaron Wildavsky points out:

Guardianship /of the Treasury/ provides the Congressmen with a stance that supplies reasonably clear instructions--cut the estimates --while keeping the area within which they must focus their attention --the largest increases--manageable in terms of their limited time and ability to calculate.<sup>3</sup>

---

<sup>1</sup>U.S. Department of the Navy, The Budget Process in the Navy, op. cit., p. 4-3.

<sup>2</sup>Ibid.

<sup>3</sup>Aaron Wildavsky, The Politics of the Budgetary Process (Boston: Little, Brown, and Co., 1964), p. 161.



When the subcommittee has completed its work, the appropriation bill is presented to the Appropriations Committee and from there it goes to a vote on the floor of the House. Because of the tremendous workload of the Congress, legislation is parceled out to committees and subcommittees, whose members examine it in detail and whose recommendations are usually accepted.

The Senate receives the House version of the appropriation bill and conducts its own hearings through its Subcommittee on Department of Defense Appropriations, comprising members of the Senate Appropriations Committee. The emphasis of the Senate review is on the cuts made by the House.

A member of the Senate Appropriations Committee is likely to conceive his proper role as the responsible legislator who sees to it that the irrepressible lower House does not do too much damage either to constituency or national interests.<sup>1</sup>

Many of the reductions made by the House are restored, at least in part, by Senate action, and a joint committee is established, including members from both branches of Congress. The final mark-up of the bill coming from this joint committee is usually accepted and sent to the President for signature.<sup>2</sup> Arthur Smithies has briefly summarized Congressional budget action as follows:

---

<sup>1</sup> Ibid., p. 51.

<sup>2</sup> An excellent account of the entire Federal budget cycle is presented by David J. and Attiat F. Ott, Federal Budget Policy (Washington: The Brookings Institution, 1965), Chapter III.





In terms of aggregate figures, the Congress makes small rather than large changes in the President's figures. A bonafide cut in the President's appropriation requests of as much as 5 per cent, even by a hostile Congress, is the exception rather than the rule. The normal pattern of Congressional action is for the House to make a substantial cut in the budget total, for the Senate to restore a large part of the cut, and for the conference to reach a compromise that is not far from the President's requests.<sup>1</sup>

### Budget Execution

The execution phase of the budget cycle is thought of as beginning when the President signs the appropriation bill into law. Although Congress gives to the Navy authority to obligate the appropriated funds, the Bureau of the Budget, as the representative of the President, restricts the amount of obligations that may be incurred, usually on a quarterly basis. Bureaus, Offices, and Systems Commands must submit an apportionment request to the Bureau of the Budget through a chain of review similar to that which reviews budget requests and, like the budget requests, the one for apportionment is subject to being reduced. The actual submission of the apportionment request takes place in the latter part of May so that, if the authorization of the desired appropriation has not taken place by June 30, the Bureau of the Budget can quickly act upon the continuing resolution that Congress generally passes just before the fiscal year ends. The continuing resolution allows programs already under way to be funded at the previous rate but does not allow new programs to obligate funds. This early action on

---

<sup>1</sup> Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Co., 1955), p. 140.





apportionments permits a smooth transition from one fiscal year to the next. Once Congress has authorized the budget, the Bureau of the Budget compensates for the new spending totals by adjusting the funds through apportionment throughout the remainder of the fiscal year. The apportionment process is used as an instrument of fiscal policy to control the rate of government spending, as a method of establishing reserves and effecting savings and as a way to insure the development of up-to-date financial plans reflecting the latest program changes.<sup>1</sup>

When the apportionment has been made to the Bureaus, Offices, and Systems Commands via the Secretary of Defense and the Secretary of the Navy, allotments are then granted to the Fleet Commanders, who in turn make suballotments to their Type Commanders. Here the chain ends, and, rather than being granted allotments, ships receive authority to incur obligations for needed material by citing their type commander's allotment subject to limits set according to the type of ship involved. The responsibilities of the various echelons in the chain of command for proper execution of the budget are:

The Fleet Commander is responsible for reviewing and revising as necessary the annual financial plan throughout the year, as well as improving the methods used for preparing future plans.

---

<sup>1</sup>U.S. Department of the Navy, The Budget Process in the Navy, op. cit., p. 6-3.



The Type Commander is responsible for financial management of the ships to include planning, administration of funds, analysis of obligations and expenditures, cost accounting, and performance reporting.

Each Commanding Officer is responsible for the effective and economical use of funds and material within his command.<sup>1</sup>

---

<sup>1</sup>U. S. Department of the Navy, Office of the Comptroller, Navy Comptroller Manual, VIII, NAVEXOS P-1000-8, January, 1961, p. 1-6.





## CHAPTER IV

### THE APPROPRIATION SPONSOR FOR OPERATION AND MAINTENANCE, NAVY FUNDS

The Introduction to this study discussed in broad terms why the responsibility of the O&M,N Appropriation Sponsor was chosen. Chapter II provided a general background on the Appropriation Sponsor's position in the present organizational structure of the Navy. Chapter III indicated the Navy's involvement and emphasis given to the Planning, Programming, and Budgeting System. Now that the background information on the environment of the Appropriation Sponsor has been discussed, it is appropriate to delineate his specific responsibilities and determine what service his organization performs within the Navy's financial management environment.

#### Specific Responsibilities<sup>1</sup>

The Appropriation Sponsor for Operation and Maintenance, Navy funds is responsible for:

- Coordinating the objectives of all Program and Major Activity Sponsors in support of their appropriations, and providing over-all appropriation guidance to the Major Activity Sponsors.

---

<sup>1</sup>U. S. Department of the Navy, The Navy Programming Manual, op. cit., p. I-5-2.



- Resolving, in coordination with Program and Major Activity Sponsors, the relative priority and size of programs within their appropriations.
- Presenting and justifying their programs, with the assistance of the Program and Major Activity Sponsors and other Sponsors, as necessary, to all echelons in the budget review cycle.
- Continuously reviewing the status and performance of programs funded under the appropriations which they sponsor.
- Maintaining close liaison with Appropriation Administrators (Bureaus, Offices, and Systems Commands) and keeping currently informed of fiscal actions relating to the appropriation during all phases of budget formulation and execution.

Other responsibilities and procedures are further assigned in the Appropriation "Operation and Maintenance, Navy" for program control and financial administration in the SECNAV Instruction 7042.7C<sup>1</sup> and NAVCOMPT Instruction 7042.14.<sup>2</sup> The Deputy Chief of Naval Operations

---

<sup>1</sup> This instruction is entitled "Allotments granted from--Contingencies of the Navy--of the appropriation--Operation and Maintenance, Navy--use of." It establishes policies and procedures for the use of official representation funds allotted from "Contingencies of the Navy." The Instruction is only of minor significance to the subject matter of this study.

<sup>2</sup> This instruction is entitled "Operation and Maintenance, Navy--appropriation administration of." Its purpose is to further outline appropriation administration responsibilities and procedures in connection with the administration of funds under the "Operation and Maintenance, Navy" appropriation. (This instruction assigns over-all appropriation administration to NAVCOMPT.)





(DCNO) for Logistics (the Appropriation Sponsor for O&M, N funds) is designated the point of contact within the CNO organization for these appropriations.

DCNO (Logistics) and the Assistant  
for Programs and Budget

In the CNO organization the Appropriation Sponsor's responsibility for O&M, N funds is carried out by the DCNO (Logistics) OP-04 (Fig. 2). Within his staff the Assistant for Programs and Budget (OP-04D) provides the staff assistance to the DCNO (Logistics) in his area of responsibility as Appropriation Sponsor for Operation and Maintenance, Navy money. The Programs and Budget Staff is the point of contact within the DCNO (Logistics) organization for all program and budget matters and serves as liaison with the various Bureaus, Offices, and Systems Commands, SECNAV, NAVCOMPT, the Navy Department Program Information Center (NDPIC), and the Office of the Secretary of Defense (OSD) for all program and budget matters under the cognizance of DCNO (Logistics)--i. e., program change requests budget back-up material, point papers, Congressional inquiries, etc. This office is responsible for reviewing Navy, Air Force, Army, Marine Corps, and other DOD agency program change requests, for coordinating these proposals with the various offices of the OP-04 organization for appropriate screening and comment, and for providing assistance in the preparation and timely submission of OP-04 sponsored program changes. It prepares the Congressional statements for the DCNO (Logistics)





presentation and compiles back-up material to aid in responding to Congressional questions during these hearings. During the Program Budget Decision (PBD)<sup>1</sup> review, the office serves as a point of contact for all PBD's relating to the O&M, N budget submissions. This entails continuous close coordination with offices in the CNO organization, the Navy Material Command, Bureaus, Offices, Systems Commands, and NAVCOMPT in arranging the Navy's review of OSD decisions and the preparation of "reclamas"<sup>2</sup> where appropriate. A representative of OP-04D supports the DCNO (Logistics) during the PBD presentations held within the CNO organization and separately with the Secretary of the Navy. In the presentation before the Congress, a representative of the office provides documentation support for the DCNO (Logistics).<sup>3</sup>

OP-04D does not develop budgets or maintain accounting records and reports. It has a staff of only two people, and O&M, N and other appropriation sponsorships constitute 22 per cent of the Navy's dollars budgeted. Typically, it uses information gathered elsewhere. These data are analyzed and interpreted to determine essential elements of information and important program or appropriation financial status implications are brought to the attention of the DCNO (Logistics).<sup>4</sup>

---

<sup>1</sup> PBD's are tentative decisions by the OSD on Navy Budget submissions held in November and December each year.

<sup>2</sup> The Navy Programming Manual, op. cit., defines a reclama as "a formal appeal in the DOD decision-making process through which an issue that has been disapproved (in whole or in part) may be resubmitted for further consideration."

<sup>3</sup> Interview with Captain Barnhart.

<sup>4</sup> Ibid.





Assistant for Programs and Budget (OP-04D)  
Responsibilities

The Assistant for Programs and Budget (OP-04D) is the principal staff adviser for matters involving programs and budgets under the cognizance of the DCNO (Logistics). In that capacity he serves as the principal liaison for the DCNO (Logistics) with the Office of the Comptroller, the Office of General Planning and Programming, and other offices concerning programs and budgets. When directed by the DCNO (Logistics), he disseminates guidance for programs and budgets within the office of the DCNO (Logistics) and coordinates the preparation and submission of program and budget data under the cognizance of the DCNO (Logistics) for transmission to other offices. He collects and insures consistency of program and budget data for use in budget reviews and presentations by the DCNO (Logistics). When required, he represents the DCNO (Logistics) at program and budget hearings and reviews.<sup>1</sup>

The other staff member in OP-04D is the Budget Officer. He supports the Assistant for Programs and Budget in all facets of his responsibility, including acting in his place during his absence. In this budgeting capacity, the Budget Officer coordinates the DCNO (Logistics) programming responsibilities related to the Navy's Program objectives. This includes providing programming counsel and guidance to OP-04 Program Element Sponsors; coordinating and assisting in the development of the

---

<sup>1</sup> Typewritten job description for the functions in OP-04D, undated, p. 1.





required Program Change Requests and Program Objective Change Proposals within OP-04; and reviewing and controlling the submission and the up-dating of Navy Program Objectives for OP-04 cognizance Program Elements. He coordinates the submissions for the periodic up-dating of the DCNO (Logistics) assigned portions of the Five-Year Defense Plan.

The Budget Officer provides necessary liaison on matters relating to cognizant DCNO (Logistics) Program Elements with Program Element Sponsors, Appropriation Major Activity Sponsors, Office of the Chief of Naval Material, Navy System Commands, and the Office of General Planning and Programming. He serves as the point of contact on and exercises control over Logistics Group inputs to the SECNAV Management Information Center. He monitors and keeps DCNO (Logistics) apprised of the financial status of appropriations and programs for which he is assigned principal responsibility, by (1) analyzing financial and procurement program status reports to appraise the spending relative to current plans, to detect dollar shortages or excesses, and to uncover or disclose what appear to be problem areas, and (2) participating in reprogramming actions affecting DCNO (Logistics)-sponsored appropriations.

The Budget Officer's participation in monitoring and coordinating the development, review, and deliberations related to the DCNO (Logistics) sponsored appropriations (O&M, N and OPN)<sup>1</sup> continues through all levels of

---

<sup>1</sup> OPN is the acronym for the appropriation "Other Purchases Navy," the administration of which is not relevant to this study.



Navy review and coordinates the Navy PBD process for the DCNO (Logistics) Military Construction Appropriation. This involves coordination with the Major Activity Sponsors, CNM, System Commands, and NAVCOMPT on the initial submission of the budget request to NAVCOMPT, the NAVCOMPT "mark-up"<sup>1</sup> of the initial budget submission, and the PBD and reclama processes. He assists in the screening of proposed reklamas and in briefing the DCNO (Logistics) in preparation for his attendance at the CNO and Secretarial level reviews of the reklamas related to his budgets.

The Budget Officer also compiles logistics budget back-up documentation, outlines the OP-04 study plan, and provides support to the DCNO (Logistics) at Major Force Oriented Issue meetings and briefing rehearsals involved in the SECNAV and CNO Posture Hearing preparation. He assists in the formulation of Congressional statements and furnishes liaison, when directed, with House and Senate Appropriation Committee staffs preparatory to the DCNO (Logistics) presentation of O&M, N and OPN appropriation requests. He provides back-up to the DCNO (Logistics) during presentations of appropriation requests to the Congress by providing documentation and other information to assist in responding to Congressional questioning.

The Budget Officer edits and arranges for cognizant offices to review and edit Congressional testimony transcripts related to the DCNO

---

<sup>1</sup>The term "mark-up" refers to the recommended budget reductions of NAVCOMPT as determined during their budget review process.







(Logistics) budget presentations, and conducts special studies, projects, as assigned, and reviews, comments, and counsels on matters concerned with the Navy's logistic programs and budgets.<sup>1</sup>

### The O&M, N Budget Cycle<sup>2</sup>

About September 1, the first important event for the Appropriation Sponsor is the review of the budget submission by NAVCOMPT. There is no written requirement that the budget be submitted via the Appropriation Sponsor. However, OP-04D is usually informed, and liaison is established. When NAVCOMPT determines the mark-up, it is promulgated directly to the Bureaus, Offices, and Systems Commands. Once the mark-up is published, OP-04D intervenes as a catalyst. OP-04D arranges the sessions on the NAVCOMPT mark-up and reclaims, and the DCNO (Logistics) participates in these sessions in the role of a judge. The usual management procedure is to delegate the decision to the persons involved and have them agree on a proposed plan of action. This system has worked out well.<sup>3</sup> In these sessions the Appropriation Sponsor is a decision maker. If there are issues that cannot be resolved, the problem moves up the chain of command to the DCNO and, if needed, the CNO Advisory Board for determination.

---

<sup>1</sup> Typewritten job description for the functions in OP-04D, undated, p. 2.

<sup>2</sup> Interview with Commander R. F. Murphy, Jr., SC, USN, Budget Officer for Programs and Budget, DCNO (Logistics), Office of the Chief of Naval Operations, March 3, 1967.

<sup>3</sup> Ibid.



The final decision on any problem area within the Navy rests with the Secretary of the Navy.

The Director of Budgets and Reports (NAVCOMPT) of the Navy presents the proposed Navy budget to the Secretary of the Navy. It is at this time that any unresolved issues are resolved. After the SECNAV review and approval, the agreed budget and control dollars are forwarded to the Bureaus, Offices, and Systems Commands for development of the Navy's budget submission to OSD. This year, this happened on October 3, 1966.

The second significant occurrence is the OSD/BOB joint review of the Navy budget submission. This review process extends over some three weeks, during which time OSD/BOB develop questions in areas that they challenge.

In late October and early November, a series of reviews is begun with OSD/BOB and Navy representatives. It is at this time that OSD/BOB ask their questions. Then the CNO and the supporting Bureaus, Offices, and Systems Commands give their answers. For example, John Lobi and his analysts from NAVCOMPT provide the financial analysis support. Someone from OP-04D is always present for program support. These hearings are very informal. An appropriate amount of time is allowed for collecting whatever additional data are needed for justifications. This review goes on for another three weeks into late November and early December, when the Program Budget Decisions (PBD's) begin to be received. These decisions actually flow to NAVCOMPT, which holds a







routing conference and decides what appropriation is affected by these decisions. It is then that the O&M, N decisions are forwarded to OP-04D.

Any PBD involving O&M, N funds is distributed by OP-04D to designated Major Activity Sponsors having cognizance. Separately, copies of these PBD's are provided by NAVCOMPT to the Bureaus, Offices, and Systems Commands. OP-04D asks the Major Activity Sponsors to report within twenty-four hours whether they desire to enter a reclama. If there is need for coordination within the Systems Commands, CNM will provide this assistance. BuPers and BuMed are handled separately. If the three of them require coordination, then OP-04D will bring them all together.

After twenty-four hours have elapsed since receiving the PBD's, the Deputy CNO for Planning and Programming (OP-090) holds a review session to pass judgment as to whether there is a strong case for a reclama.<sup>1</sup> If the Major Activity Sponsor has insufficient justification, the reclama may end here.<sup>2</sup> Those reclaims that survive the OP-090 review are forwarded to the Secretary of the Navy within seventy-two hours. At the SECNAV meeting the Deputy Comptroller of the Navy presents the claimant's case. All interested parties attend this meeting and contribute

---

<sup>1</sup> A reclama can be made only if the Navy indicates that a clerical error has been made, or if there is new evidence that would materially change the facts.

<sup>2</sup> This means that a particular claimant must have an information system that is capable of giving a quick response, for if the justification data are not produced within twenty-four hours, the OSD/BOB PBD's are firm.



as requested toward making the decisions. These meetings persist from late November through mid-December. At the conclusion of this process, Presidential budget control numbers are derived and the Navy proceeds to develop the detailed Presidential budget justification. After this has been accomplished, the budget goes back to the OSD for incorporation in the President's budget. A few weeks later, usually in mid-January, the budget is sent to the Congress.

The third meaningful event for the Appropriation Sponsor is the Congressional review. It is at this juncture that the DCNO (Logistics), the O&M, N Appropriation Sponsor, goes before Congress and appears as the principal witness. At this time he moves out in front--no longer is he in the background. OP-04, with his support (OP-04D and the Black Box<sup>1</sup>), answers many of the substantive questions put forth by the various Congressional Committees. If there are questions involving financial detail of the budget, the Bureaus, Offices, and Systems Commands, representatives are there for additional support.

The OP-04 focus is on being well informed on all the broad aspects of the O&M, N appropriations, including such topics as "civilian substitution" and "management of resources." OP-04D, in preparation for the Congressional reviews, identifies the highlights of financial information

---

<sup>1</sup>The term "black box" refers to a file indexed to specific budget information. When questions are addressed to the DCNO (Logistics) by the Congress, the detailed information on the particular line item is immediately available to provide the required explanation.



in the present time, the only thing that is certain is that the world is not what it used to be. The old ways of thinking and doing things are no longer valid. The new ways are still in the process of being developed, and it is difficult to see the end of the road. The future is uncertain, and it is up to us to make the most of the present.

The first step is to recognize the situation. We are living in a time of great change, and it is important to be aware of the forces that are shaping the world. The second step is to accept the situation. We cannot change the past, and we cannot control the future. The only thing we can do is to make the most of the present. The third step is to plan for the future. We need to have a vision of what we want to achieve, and we need to have a plan to get there. The fourth step is to act. We need to take action on our plan, and we need to be flexible enough to change it when necessary. The fifth step is to evaluate. We need to look back at what we have done, and we need to see if we are on track to achieve our goals.

The first step is to recognize the situation. We are living in a time of great change, and it is important to be aware of the forces that are shaping the world. The second step is to accept the situation. We cannot change the past, and we cannot control the future. The only thing we can do is to make the most of the present. The third step is to plan for the future. We need to have a vision of what we want to achieve, and we need to have a plan to get there. The fourth step is to act. We need to take action on our plan, and we need to be flexible enough to change it when necessary. The fifth step is to evaluate. We need to look back at what we have done, and we need to see if we are on track to achieve our goals.

The first step is to recognize the situation. We are living in a time of great change, and it is important to be aware of the forces that are shaping the world. The second step is to accept the situation. We cannot change the past, and we cannot control the future. The only thing we can do is to make the most of the present. The third step is to plan for the future. We need to have a vision of what we want to achieve, and we need to have a plan to get there. The fourth step is to act. We need to take action on our plan, and we need to be flexible enough to change it when necessary. The fifth step is to evaluate. We need to look back at what we have done, and we need to see if we are on track to achieve our goals.



in which the Congress may have an interest. This is not limited merely to dollars. Such questions as: "What items in the O&M, N budget will attract attention? What issues does the wording of the justification raise? Are there governmental or political implications that may affect specific items in the budget?" are also pursued.

How the Assistant for Programs and Budget Carries  
Out His Responsibilities<sup>1</sup>

In reality, it is the events just discussed in the budget cycle that determine the effectiveness of the O&M, N Appropriation Sponsor. He acts as a catalyst, a decision maker, and a presenter of justification and other information to the Congress. He does not do all, nor is he capable of doing all, that is required in the Navy Programming Manual. For example, he is supposed to "resolve, in coordination with Program and Major Activity Sponsors, the relative priority and size of programs within appropriations." First of all, the word "program" is very much misused. There are programs that relate to Polaris, Naval Stations, etc., and many units in the Navy refer to their endeavors as a program in much the same manner as it is defined in the dictionary. With everyone in the organization using the word program with a different connotation, program responsibility is most difficult to determine. To give another illustration, using a hypothetical case, it may be necessary to cut back flying hours to stay within budget

---

<sup>1</sup> Interview with Commander Murphy.



limitations, the appropriation sponsor cannot make this decision; it must go all the way to the CNO Advisory Board. There is a serious question as to what he is supposed to do because it has not been delineated. Further, within the CNO organization there is an imbalance where other DCNO's of equal stature can have as much to say on the same subject.

The organizational link between the Bureaus, Offices, and the Systems Commands differs with different Major Activity Sponsors. This has been left to the discretion of the individual in the particular job. Because a Major Activity Sponsor's duties are only generally defined, his perception of his role determines the type and quality of the information the Major Activity Sponsor obtains from the Bureaus, Offices, and Systems Commands. The O&M, N Appropriation Sponsor has a need for an effective financial information flow. If the Major Activity Sponsors know of problems, they are fed to OP-04D. However, OP-04D is not a total information center since some of the Major Activity Sponsors do not effect liaison with them. OP-04D is the DCNO (Logistics) staff for the O&M, N Appropriation Sponsor, to provide the total information service, but they are not always aware of the financial problem areas. It may be that OP-04, through other channels, is aware of all the facets of a particular problem; if so, it is less serious. Whereas, if he is not given the necessary information in a timely manner, it could have serious ramifications.

The financial information obtained from the Major Activity Sponsors relates primarily to unfunded requirements. Beyond this, typically, only







requested information is provided. The aspects of these duties constitute the workload for most of the year. This is an area where OP-04D seems deficient because OP-04 is not aware, on a regular basis, of the status of execution of the budget and this is recognized by those within OP-04D. The problem lies in inadequate staffing and the development of a responsive information system. Information should be coming up as well as down, and that is not the case right now. Most emphasis is put on building the budget, justifying it, and getting it approved. Better communications might be beneficial, but the principal requirement is determining what OP-04 needs to know. He should be able to answer such questions as: What should be examined in order to monitor the budget execution? Where are the weaknesses in the budget execution? Is there reprogramming money to cover emergency requirements? The Major Activity Sponsor could give OP-04D better support, but his role is limited to what little is defined and what he is creative enough to do.

In the working relationship with OP-04D, it appears that the Major Activity Sponsors appear to be staffed to almost what they need. Their usefulness is determined by the type of relationship they enjoy with the Bureaus, Offices, and Systems Commands.

The coordination of Program and Major Activity Program Objectives could be improved. Typically, these objectives focus on forces. That is, how many ships, of one type or another, are needed. Force objectives are easier to quantify. The actual support cost implications of force decisions



are not part of the specific Navy program decision process. Program and supply support decisions are not as consciously made as the force decisions. Typically, the construction cost of ships and aircraft have risen considerably in recent years, whereas the O&M, N supply support money has not. The supply support money is difficult to defend since allowance lists are considered arbitrary. Yet, if the problem is considered in all its aspects, the force decision could be much different if the supply support information were available.

Generally speaking, most of the time of OP-04D is spent passing budget and programming guidance, setting deadlines for crisis reports, and requesting special information in problem areas. There is not sufficient time nor is there staff to give over-all guidance to the Major Activity Sponsors. Theoretically, when you have competed for the dollars, you have done this ahead of time by justifying the program. Where there is need for control is in the execution where soft spots may occur.





## CHAPTER V

### MAJOR ACTIVITY SPONSORS

The O&M, N money is divided into eight Budget Activities. The Appropriation Sponsor has a Major Activity Sponsor (MAS) to support him and to coordinate his interests in each of these budget activity areas in the planning, programming, and budgeting for the naval forces and their supporting establishment. The MAS may not be located within the Appropriation Sponsor's organization. However, the overriding consideration of both the Appropriation Sponsor and the MAS is to maintain these forces in a high state of readiness at minimum cost. For Fiscal Year 1967, the force structure supported by the O&M, N funds was 949 active fleet ships and 6,789 land and carrier-based aircraft. The total O&M, N appropriation for Fiscal Year 1967 was \$4.3 billion.<sup>1</sup> The balance of this chapter consists of interviews with the eight Major Activity Sponsors and a discussion of the interrelationships each of them has with the Appropriation Sponsor.

#### Activity 1: General Expenses, Navy Personnel<sup>2</sup>

This activity provides training for approximately 150,000 recruits. It also provides the technical, scientific, and professional training and

---

<sup>1</sup> Interview with Commander Murphy.

<sup>2</sup> Interview with W. A. Johnson, Head of the Procurement Research Operations Budget Branch, Bureau of Naval Personnel, March 6, 1967.



education for approximately 402,000 officers and enlisted men; and the financial support for approximately 9,000 NROTC midshipmen in civilian colleges. Additionally, it funds the expenses of the U.S. Naval Academy, which is educating 3,900 midshipmen in preparation for officer careers.<sup>1</sup>

Major Activity Sponsor (MAS) No. 1 sees the Appropriation Sponsor, more or less, as the referee between the Major Activity Sponsors. He also views him in a supportive role with NAVCOMPT during budget review and at other times. Thirdly, he envisions the Appropriation Sponsor's role as the person who justifies the program to the Congress. In regard to the MAS role, he sees it as being the same role as that of the Appropriation Sponsor but at the Bureau level.

A multitude of performance reports are received monthly, and a budget is received from each activity yearly. The performance reports indicate how much had been authorized for their budget and how it was distributed. One type of report is by commitment, obligation, and authorization, which indicates the money spent and the funding that has not been used. Another report is by object class, which shows the specific type of expenditure incurred. The manpower reports received are used for comparing the on-board count with that authorized. When these and other reports are received as a total entity, the variances between funding planned and the actual expenditures are easily recognized. In addition to these reports, this

---

<sup>1</sup> Department of the Navy, Budget Digest, Fiscal Year 1967, p. 56.





activity contributes staff to the Inspector General's on-site reviews and the CNO manpower team surveys which review the total military and civilian manpower requirements of the field activities. All the Joint Strategic Objective Plan, the Program Objectives, and the Five-Year Defense Plan information is processed through this office. Mr. Johnson considers his information system most adequate.

The information system was implemented for mechanization, but he claims the information is obsolete when it comes out of the machine system. He states that the internal reports are constantly changing and that the excessive time for key-punching makes it impractical to stay mechanized. Therefore, the information system can, in his opinion, be updated faster and cheaper manually than by machine. His budget cuts are based on the combination of value judgments, the monthly reports, and other pertinent data.

Mr. Johnson regards the Appropriation Sponsor as his boss. He works through OP-04, and reports these developments to the Chief of Naval Personnel.<sup>1</sup> The relationship with OP-04 is adequate and, in his opinion, needs no improvement. He does not feel that his staff needs any changes to give better support to the Appropriation Sponsor.

In the budget review process OP-04 is at the NAVCOMPT hearings as their supporter. The MAS makes the presentation supported by Bureau

---

<sup>1</sup> The Chief of Naval Personnel plays a dual role in that he is also the DCNO (Personnel), OP-01, in the CNO organization.



personnel. In the OSD/BOB hearings, the Bureau of Naval Personnel, NAVCOMPT, and OP-04 join hands. In the Congressional hearings, OP-04 is the principal witness and support is given by the Chief of Naval Personnel and his Bureau personnel.

In the area of coordination of program objectives, an annual request is made by OP-04 to submit the program requirements for the Five-Year Defense Plan; at the same time, a request comes from OP-01. This information is distributed to the program managers for development of plans and costs, and then the data go back up the line to OP-04 and OP-01.

There is very little guidance given to the Major Activity Sponsor by the Appropriation Sponsor. What guidance is given consists of passing down some statistical requirements, the PCR's, the PCD's, and setting deadlines for data requested.

The priorities and the size of programs are determined by the program managers within the MAS jurisdiction. The MAS requests recommendations from the various components on the BuPers programs and asks for their submission in priority order format.

The contacts with the Appropriation Sponsor are daily. Sometimes, the contacts are on an hourly basis. The relationship and staffing appear to be adequate, and the Appropriation Sponsor is unaware of any organizational changes that in his opinion would be beneficial.





## Activity 2: Weapons and Facilities<sup>1</sup>

Funds for this activity finance the Naval and Marine Corps flight operations in support of the military missions of the Navy. This includes the combat operating forces, such as carrier air groups, missile-firing ships, Marine air wings, land-based patrol squadrons, and other supporting units. Extensive flight training is also programmed with this money to provide the crews for these missions. The shore establishment support funding for these weapons/systems comprises air stations, ammunition depots, and ordnance plants.<sup>2</sup>

This Major Activity Sponsor (MAS) defines the Appropriation Sponsor's role as one of programming emphasis. He sets the priority of programs over others in the operating areas. In regard to the MAS, his duties can be summarized into two functions. First, he coordinates the Air Systems Command with the policies of the DCNO (Logistics) and the DCNO (Air). Secondly, he correlates the financial plans with the programs. These functions are encountered on a day-to-day basis in the operations area. The MAS emphasis is on having to keep up with the implementation of the over-all program. He accomplishes this by reviewing the tempo of operations and the obligation rates of the Fleet in a type of performance analysis.

---

<sup>1</sup>Interview with Lt. Colonel K. M. Scott, USMC, Assistant for Aviation, O&M,N, Deputy Chief of Naval Operations (Air), Office of the Chief of Naval Operations, February 24, 1967.

<sup>2</sup>U.S. Department of the Navy, Budget Digest, op. cit., p. 56.



The Major Activity Sponsor obtains financial reports from the operating areas. These reports are used to substantiate the forces that the Navy is providing and to justify the programs to OSD. Another type of report is generated by the aircraft accounting system which indicates where operations are taking place, what these operations are, and the aircraft used. More detailed reports are received on the use of aircraft as far down as the aircraft unit (user) level. These reports indicate what the particular organization had programmed and what has been done toward accomplishing these goals. All of these reports are continuously monitored and form the basis for almost all programs. The present reporting system is not adequate; however, a new system is being implemented to overcome this deficiency. This system is called AIRMACS (Aircraft Resources Management Control System). The system will enable the MAS to utilize a computer to provide an integrated data system. Its output will provide analyzed data of requirements and usage for personnel base-loading, aircraft configuration, and ground and ordnance support equipment.

The MAS sees the Appropriation Sponsor as being interested in logistics, whereas the MAS is interested in the programs. The MAS is a user of logistics. Presently, O&M,N funds cannot be isolated. The requirement is to monitor the O&M,N funds within the programs. This situation is being improved by the implementation of program element sponsorship. The problem of identifying and monitoring the various programs is less complicated than for other Major Activity Sponsors, since there is only one Air







Systems Command, and the MAS is with the system throughout all its stages: research and development, investment, provisioning, operations, and retirement.

The information necessary to support witnesses in the budget review process is based on program requirements rather than on operations. DCNO (Air) is responsible for all capital investment. The witnessing function is provided by the Air Systems Command at the NAVCOMPT, OSD/BOB, and Congressional levels. The DCNO (Air) coordinates and correlates the requirements in terms of the force levels and the tempo of operations. The mathematical phase, such as pricing, is furnished by the Air Systems Command. The DCNO (Logistics) is also a witness at all levels of review.

The Major Activity Sponsor does not use program objectives. For Activity 2 he furnishes the Air Systems Command with the existing force structure and that which is being recommended. The Systems Command provides the justification, prices it out, and integrates it into the required format. The Appropriation Sponsor passes logistics guidance to the MAS from DOD and sets the timing on submissions of data.

The size of the program is determined by the force structure. Priorities within the program call for a joint effort between CNM, DCNO (Logistics), DCNO (Air), and the Air Systems Command. The final determination rests with the Chief of Naval Material.

The Air Systems Command manages the funds. The Major Activity Sponsor is interested in what programs are being accomplished; his next



concern is their cost. If weaknesses in programs and funding are disclosed, reprogramming action is initiated.

### Activity 3: Ships and Facilities<sup>1</sup>

This activity provides finances for operating and maintaining the ships in the Navy's attack, amphibious assault, antisubmarine, anti-air warfare, and submarine forces.<sup>2</sup>

The Major Activity Sponsor indicates that the role of the Appropriation Sponsor is rather loosely construed with divergent interpretations by cognizant personnel within the DCNO (logistics) organization. First, the DCNO (Logistics) is the Appropriation Sponsor, and in this role he is very much like the CNO. He formulates and provides policy to Fleet Commanders and to other fund users for accounting, expenditure, and accountability of funds.

The MAS functions in support of the Appropriation Sponsor within a framework of consideration unique to the particular major activity. Of the Ships and Facilities money under this Major Activity Sponsor, 99 per cent is for maintenance, operation, and modernization of the active fleet. The MAS is involved in such functions as scheduling overhauls and implementing

---

<sup>1</sup> Interview with Captain C. C. Brock, Jr., USN, Head of the Budget and Planning Branch, Ships Material Readiness Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 28, 1967.

<sup>2</sup> U. S. Department of the Navy, Budget Digest, op. cit., p. 56.







the fleet modernization programs. In these endeavors the primary consideration is carrying out the program within the intent of Congress and with as much response to program requirements as possible. The efforts are oriented toward maximum accomplishment of the programs within the limitations imposed by appropriations.

Detailed financial data are received by the Ships Systems Command and the principal allotment holders (Fleet Commanders) monthly. Detailed reports are not required at the MAS level. The Major Activity Sponsor for Activity 3 monitors major expenses, obligations, expenditures, and programs, but only for the purpose of ascertaining significant variances from the budgeted plans. The Ships Systems Command has other information that is readily available for more detailed analysis. For example, the 3M<sup>1</sup> system is accumulating cost information in some twenty-six sub-system categories.

In regard to an integrated data system for the Appropriation Sponsor, the MAS is not sure what purpose it would serve. He is doing the programming and is monitoring the appropriation money now. With the anticipated changes in program management (Resources Management System<sup>2</sup>) this

---

<sup>1</sup>The 3M acronym is an abbreviation for the Navy's "Material, Maintenance Management System." It is a system that utilizes standard costs for job orders and work orders to measure actual performance.

<sup>2</sup>U.S. Department of Defense, A Primer on Project PRIME, November, 1966, p. 7. Resource Management Systems is defined as those methods and procedures used throughout the Department of Defense that (1) deal with resources, (2) are intended to assist in the management of such resources, and (3) constitute systems.



situation may change.

The Major Activity Sponsor relates to the Appropriation Sponsor in a staff capacity. It is management by exception. The Appropriation Sponsor is informed of only major problems or reprogramming efforts stemming from financial reevaluations. This relationship is satisfactory. The Appropriation Sponsor probably would not benefit from any organizational improvement or staffing because no one questions the precise role of the Chief of Naval Operations.

The staffing of the Major Activity Sponsor is adequate if the present vacancy is filled with a qualified person. In terms of witnesses, the MAS and the Ships Systems Command personnel participate in an informal manner at the NAVCOMPT and OSD/BOB reviews. The principal witness in Congressional hearings is the DCNO (Logistics). At these hearings he is supported by the MAS, NAVCOMPT, the Ships Systems Command, and other Bureau chiefs.

The only program objectives utilized are those generated in the MAS organization. There has been no over-all program objective review in eighteen months. The Fiscal Year 1968 budget disregarded program objectives. The basic emphasis on monitoring is to get the most for the dollars expended and to try to keep the maximum number of ships on line.

Priorities and the size of programs are determined by CNO policy. In the overhaul program, for example, Polaris has first priority. The carriers, submarines, and destroyers get second consideration. The







Service, Amphibious, and Mine Forces are third. Actually, the Navy is not compelled to make decisions on a priority basis because there is no level of government under the appropriation structure that is prepared to offer a business budget in the business sense. In a business operation, one can cut where the economic worth is balanced. The Navy has yet to evolve to this management position.

There is daily contact with the Ships Systems Command, and the Fleet Commanders are contacted about every other day. There has been a problem in doing business with the Ships Systems Command because it is subordinate to the Chief of Naval Material. This problem is being remedied with the establishment of the Fleet Readiness Organization under the CNM.

#### Activity 4: Medical Care<sup>1</sup>

This activity funds the medical care and hospitalization of Navy and Marine Corps personnel and their dependants at naval hospitals, dispensaries, dental clinics, and other specialized medical facilities.<sup>2</sup>

The Major Activity Sponsor states that the Appropriation Sponsor's role involves planning, programming, budgeting, and execution of the O&M,N appropriation. In addition, at Congressional hearings he is the chief witness for the Navy in a justification of these funds.

---

<sup>1</sup> Interview with Patrick W. Foley, Assistant Head for Budgets and Programs, Procurement and Plans Review Section, Material Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 24, 1967.

<sup>2</sup> U.S. Department of the Navy, Budget Digest, Fiscal Year 1967, p. 56.



The MAS role is to obtain information and provide guidance and assistance to the Bureau of Medicine and Surgery in developing the Activity 4 O&M,N appropriation budget. After this, the MAS defends it at NAVCOMPT and OSD/BOB hearings. In the Congressional hearings, the MAS furnishes only supporting data to the DCNO (Logistics). The Bureau of Medicine and Surgery personnel are also present for technical assistance.

The Major Activity Sponsor receives data on the actual expenditures of prior years, the prediction of expenditures for the current year and the budget year, and the justification that supports these data. This consists of such information as cost per patient day at military and civilian institutions, or active duty strength. Listings of students, student nurses, and medical service corps personnel enrolled at the schools are received and reviewed. Program Change Requests and Program Change Decisions are also processed through this office. Additionally, the MAS monitors the provisions of public laws to determine their relevance to the Navy's medical program. The O&M,N data received encompass the whole Navy medical program, including the Marine Corps requirements. In the opinion of the MAS, the financial information which he receives is not sufficiently timely. He believes that a CNO-integrated data system is needed so that the Appropriation Sponsor will have responsive management information to make sound decisions. The MAS is deeply involved with the programming and budget data. In the mid-year review, \$10 million was recouped and reprogrammed which would have otherwise been lost.







In the area of Program Change Requests and Program Change Decisions, a closer liaison between the Navy Department Program Information Center and OP-04D would be desirable. The Center has the responsibility for disseminating the Program Change Requests and Decisions received by the CNO and collecting them after appropriate comments by the interested parties. Then the Center makes recommendations to the CNO based on an analysis of the comments received. Many times the Program Change Requests and the Program Change Decisions are routed and are not reviewed by cognizant personnel in the DCNO (Logistics) organization.

It does not appear that any organizational or staffing change in the Appropriation Sponsor's organization is needed at this time. However, with the advent of the Resources Management Systems, the Appropriation Sponsor will have to broaden the scope and charter of his supporting staff. This system will require additional personnel to monitor all the expense operating budgets for which he will be responsible and these responsibilities should be centrally controlled. For example, for medical, OP-04D will be involved in twelve program elements for some 200 unit identification codes. This task alone is diversified and will probably require two people on a full-time basis.

The Major Activity Sponsor prepares program objectives for the current year. The over-all program objectives are combined in NAVCOMPT. There is a problem in this area stemming from the fact that the guidance from NAVCOMPT and OSD on program objectives is not given timely. Guidance from the Appropriation Sponsor is channeled through OP-04D. It



consists primarily of passing information, setting dates, and drafting instructions. There is little else offered.

The priorities and size of the programs are determined by the Bureau of Medicine and Surgery after CNO approval. The Bureau usually recommends reprogramming, when appropriate, and the CNO usually approves it. The CNO and the Bureau enjoy a close relationship and the results are positive and effective.

In monitoring the budget execution, CNO participates in the mid-year review, otherwise all monitoring review is accomplished by the Bureau of Medicine and Surgery. The MAS liaison with the OP-04D and the Bureau is very good, primarily because there is just one Bureau involved and there are no organizational problems. Furthermore, its personnel are highly motivated.

#### Activity 5: Civil Engineering<sup>1</sup>

This major activity provides the financing for the maintenance and repair of real property, facilities, and civil engineering services for the naval establishment, including the operation of utilities and transportation, planning, engineering, and design and contract administration. Seven public works centers are operated in areas where many naval facilities are located, by providing centralized services common to several facilities. Another major funding of this activity is the twelve Construction Battalions (SEABEES),

---

<sup>1</sup>Interview with Commander T. Hamilton, Jr., SC, USN, Assistant to the Head, Shore Activities Control Branch, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 24, 1967.







which are maintained in a state of readiness to support the operating forces. These Battalions also construct facilities and operate in the Antarctic area.<sup>1</sup>

The Major Activity Sponsor indicates that in this area of responsibility he reports to OP-04D as the staff supporting DCNO (Logistics). He envisions the role of the Appropriation Sponsor as a function of planning, programming, budgeting, and monitoring. OP-04D is a central place to feed all MAS requirements, due dates, and problems that come in during the year. The Appropriation Sponsor uses the MAS for monitoring because the volume of paperwork is prohibitive for the OP-04D staff to accomplish. OP-04D distributes all the Program Change Requests and program element information. All the information that the DCNO (Logistics) needs as the Appropriation Sponsor is obtained through the Major Activity Sponsor.

The MAS deals with all the details whereas the Appropriation Sponsor deals merely with the programs in a more general manner. For Activity 5 he gathers all the information needed to become familiar with the budget submission for that activity. This starts in August and continues through February. In August, this involves the budget data necessary for the NAVCOMPT review; in October, it is the same process for the OSD/BOB hearings, and again for the Congressional testimony in February. The Major Activity Sponsor is also busy with the processing of Program Change Requests between May and September. His relationship is primarily with

---

<sup>1</sup>U.S. Department of the Navy, Budget Digest, op. cit., pp. 56-57.



the Naval Facilities Engineering Command, the Navy Department Program Information Center, and NAVCOMPT, and these are most adequate. Once the dollars are apportioned, it is only problems that are brought to his attention. There is no day-to-day feedback of information or reports which would permit him to review and evaluate the performance of the Naval Facilities Engineering Command and its Engineering Field Division in the execution of the program.

MAS 5 has not been involved in the coordination of programs with program objectives since his arrival. Budget requirements are generated in the field and submitted to the Engineering Command. They derive their budget by using the previous year as a base. NAVCOMPT and OSD/BOB reviews adjust the priorities and the size of the programs. During mid-year review, the DCNO (Logistics) makes recommended changes for reprogramming between various Major Activity Sponsors.

In the budget review process, the NAVCOMPT budget presentation is made by the Engineering Command. NAVCOMPT makes the Navy submission to OSD/BOB with support by the DCNO (Logistics), the Engineering Command, and anyone else as needed. In Congressional hearings, the DCNO (Logistics) is the principal witness and he is backed by the Engineering Command and designated representatives. The MAS offers the CNO position whenever it is needed, and this is usually at the NAVCOMPT and OSD/BOB budget hearings and apportionment. He is also notified of the Engineering Command's problems which receive wide attention, review, and





dissemination. Broad major program information and performance data are adequately furnished to the MAS on a timely basis. Details of performance at the activity level are requested as required, and this information is readily available.

#### Activity 6: Servicewide Supply<sup>1</sup>

The workload of this activity is directly responsive to fleet, air, and shore station operations, including major procurement actions. It encompasses the logistical support of major active forces, both continental and overseas, at shipyards and at fifteen major supply depots and centers. Planning and programming for this support, including the procurement and requirements determination, are accomplished by three inventory control points of which the Aviation Supply Office in Philadelphia is the largest. Transportation costs of intra-Navy movement of material are funded and directed by these inventory control points, including the shipments by Military Sea Transportation Service.<sup>2</sup>

The Major Activity Sponsor views the Appropriation Sponsor's responsibility as being derived from the CNO. The Appropriation Sponsor represents the Navy at all budget hearings from the Congress on down. A major part of his time is spent in preparing for these hearings. His staff

---

<sup>1</sup>Interview with Captain William Sheehan, SC, USN, Head of the Material Management Branch, Material Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, March 1, 1967.

<sup>2</sup>U.S. Department of the Navy, Budget Digest, op. cit., p. 57.



dissemination. Broad major program information and performance data are adequately furnished to the MAS on a timely basis. Details of performance at the activity level are requested as required, and this information is readily available.

#### Activity 6: Servicewide Supply<sup>1</sup>

The workload of this activity is directly responsive to fleet, air, and shore station operations, including major procurement actions. It encompasses the logistical support of major active forces, both continental and overseas, at shipyards and at fifteen major supply depots and centers. Planning and programming for this support, including the procurement and requirements determination, are accomplished by three inventory control points of which the Aviation Supply Office in Philadelphia is the largest. Transportation costs of intra-Navy movement of material are funded and directed by these inventory control points, including the shipments by Military Sea Transportation Service.<sup>2</sup>

The Major Activity Sponsor views the Appropriation Sponsor's responsibility as being derived from the CNO. The Appropriation Sponsor represents the Navy at all budget hearings from the Congress on down. A major part of his time is spent in preparing for these hearings. His staff

---

<sup>1</sup> Interview with Captain William Sheehan, SC, USN, Head of the Material Management Branch, Material Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, March 1, 1967.

<sup>2</sup> U.S. Department of the Navy, Budget Digest, op. cit., p. 57.







(OP-04D) spends most of their time gathering the information needed by the Sponsor and briefing him on the important aspects of the appropriation.

The Major Activity Sponsor is responsible for policy guidance and details on its part of the appropriation in support of the Appropriation Sponsor.

The MAS receives the budget request from the Supply Systems Command and monitors the complete financial process through apportionment. The office does not maintain accounting records and controls. The MAS is supply management oriented and performs as an extension of the Appropriation Sponsor's staff. The needed management information is available from the Supply Systems Command and specific field activities upon request. The monitoring conducted by MAS 6 consists of solving problems which are received from the Supply Systems Command, the Secretary of the Navy, the Office of the Secretary of Defense, and the Joint Chiefs of Staff, and other elements of the CNO organization that have an interest in the major activity area.

An integrated data system would probably be of value, especially with the introduction of Resource Management Systems. Under the current system, the predominant amount of Servicewide Supply money is held by Stock Points and ICP's, which are all program element oriented; therefore, pertinent information is easily obtained.

Financial control is exercised at the budget mid-year review meetings. This is accomplished by attending these meetings and supporting the

(1970) found that the most common reason for the failure of a project was the lack of a clear definition of the project's objectives. The project manager is responsible for the success or failure of the project. It is his duty to ensure that the project is completed on time and within budget.

1970

The first step in the project management process is to define the project's objectives. This is done by identifying the project's purpose, scope, and goals. The project manager must also identify the resources available for the project and the risks involved. Once the project's objectives are defined, the project manager can develop a project plan. This plan should include a timeline, a budget, and a list of tasks to be completed. The project manager should also identify the key stakeholders involved in the project and develop a communication plan. The project manager should also identify the risks involved in the project and develop a risk management plan. The project manager should also identify the resources available for the project and develop a resource management plan. The project manager should also identify the key stakeholders involved in the project and develop a communication plan. The project manager should also identify the risks involved in the project and develop a risk management plan. The project manager should also identify the resources available for the project and develop a resource management plan.

The project manager should also identify the key stakeholders involved in the project and develop a communication plan. The project manager should also identify the risks involved in the project and develop a risk management plan. The project manager should also identify the resources available for the project and develop a resource management plan. The project manager should also identify the key stakeholders involved in the project and develop a communication plan. The project manager should also identify the risks involved in the project and develop a risk management plan. The project manager should also identify the resources available for the project and develop a resource management plan.

The project manager should also identify the key stakeholders involved in the project and develop a communication plan. The project manager should also identify the risks involved in the project and develop a risk management plan. The project manager should also identify the resources available for the project and develop a resource management plan.

CNO policy changes. As an example, last year the decision was made by the CNO to support Southeast Asia commitments; hence, certain items had to be dropped from the original budget submission. This was done to support the CNO policy and insure that the budget was adequately justified. Additionally, Program Change Requests and Decisions are reviewed in detail to determine if they are worthy of CNO approval.

The staffing and organization of the Major Activity Sponsor are satisfactory at this time. In regard to the staffing and organization of the Appropriation Sponsor, there are no apparent problems, but the impact of the Resource Management Systems may bring an additional workload.

The NAVCOMPT budget review is presented by the Supply Systems Command. The MAS and OP-04D participate. In the DOD/BOB and Congressional reviews, DCNO (Logistics) is the principal witness. In these hearings he is supported by the Systems Command and the MAS.

Major activity program objectives are sent directly to OP-04D and they combine them into one program objective for the DCNO (Logistics).

Appropriation Sponsor guidance is received through OP-04D, mostly by passing information from DOD and NAVCOMPT. Typically, this information involves a reclama to a budget decision. The MAS coordinates, for the CNO, the Command's reclama and evaluates the basis for resubmission.

Regarding the determination of priorities and of the size of programs, this is done by the Supply Systems Command. It is for the most part automatic. The Command has over the years conducted studies and set







standards on the cost of processing requisitions or a procurement action. If budget cuts are incurred, the decrease is taken in the areas of lower priority. As an example, four commissary stores that have been authorized are not as yet open because of cutbacks in funds.

MAS 6 has a very close relationship with all liaison contacts. There are no problems in organization or staffing. Periodic field visits are made to keep apprised of the implementation of programs. Service-wide Supply is a program that is not difficult to monitor, and adequate information is available at all levels.

#### Activity 7: Servicewide Operations<sup>1</sup>

This Major Activity finances the facilities and programs under the management of the Chief of Naval Operations, including his headquarters staff. These are such activities as unified command headquarters, the naval communication system, the Naval Security Group, the Oceanographic Office, and the Naval Intelligence and Programming Services for command and control systems. Also under this activity are the funding responsibilities for the offices of the Secretary of the Navy, the Judge Advocate General of the Navy, and the Chief of Naval Research.<sup>2</sup>

---

<sup>1</sup> Interview with Mr. Vince Eustis, Head of the Budget and Programming Branch, OPNAV Comptroller, Office of Naval Administration, Vice Chief of Naval Operations, Office of the Chief of Naval Operations, March 1, 1967.

<sup>2</sup> U.S. Department of the Navy, Budget Digest, p. 57.



This Major Activity Sponsor defines the role of the Appropriation Sponsor as the person with the responsibility of putting together the total budget program. The only time he is involved is when over-all knowledge of the program is required and when reprogramming action is required at mid-year review. He is briefed by the MAS on the details of the program but the financial administration is generally performed at the Major Activity level.

The MAS budgets, allocates, and controls the use of funds under his cognizant activities. He operates through program managers, who, in this sense, are in charge of communications stations or naval stations under the MAS. This Major Activity has some 233 allotments to field activities. The allotments are issued on an individual basis by the MAS on the basis of guidance and advice of the program manager. The allotments are usually annual, with quarterly limitations on the spending. Each field activity submits a monthly report, which shows the funds available, the commitments, obligations, and expenditures. The allotments are broken down by budget project--operational (recurring) and nonoperational (nonrecurring). As an example, harbor craft operations would be in the first category, and the overhaul of the craft in the other. These field reports are due at the Major Activity Sponsor's office by the 15th of the following month. The MAS manually consolidates these reports by the 20th. Mechanization of the office workload has been explored, and it has been determined that it is not practicable. However the MAS indicates that if a system were developed







to get the field reports and consolidation on a more timely basis, better management decisions could be made.

From the point of view of the MAS, it does not appear that changes in staffing or organization would be beneficial either to the MAS or to the Appropriation Sponsor.

In regard to the procedure on witnesses for program requirements, the input for this begins with the budget submission of each of the field activities. The MAS conducts a review and merges this into one budget. This budget is then submitted to NAVCOMPT for its review, and explanations to the NAVCOMPT analysts are furnished by this office. The Appropriation Sponsor is not involved until NAVCOMPT completes its review. At this point the Director of Budgets and Reports of NAVCOMPT makes a presentation to the Appropriation Sponsor. If the MAS disagrees with NAVCOMPT's determination, the Appropriation Sponsor decides at this point; if he does not do so, the matter is submitted to the CNO for resolution.

About October 1 of each year, the budget is submitted in standard format to OSD/BOB for review. The hearings at this level are informal and are conducted with the MAS and any of the thirty program managers on his staff. These hearings continue through November and December.

In late December, the Congressional budget submission is made. Here the Appropriation Sponsor, the MAS, NAVCOMPT, and other supporting personnel participate.

the first of these is the fact that the system is not a simple one.

The second is the fact that the system is not a simple one.

The third is the fact that the system is not a simple one.

The fourth is the fact that the system is not a simple one.

The fifth is the fact that the system is not a simple one.

The sixth is the fact that the system is not a simple one.

The seventh is the fact that the system is not a simple one.

The eighth is the fact that the system is not a simple one.

The ninth is the fact that the system is not a simple one.

The tenth is the fact that the system is not a simple one.

The eleventh is the fact that the system is not a simple one.

The twelfth is the fact that the system is not a simple one.

The thirteenth is the fact that the system is not a simple one.

The fourteenth is the fact that the system is not a simple one.

The fifteenth is the fact that the system is not a simple one.

The sixteenth is the fact that the system is not a simple one.

The seventeenth is the fact that the system is not a simple one.

The eighteenth is the fact that the system is not a simple one.

The nineteenth is the fact that the system is not a simple one.

The twentieth is the fact that the system is not a simple one.

The twenty-first is the fact that the system is not a simple one.

The twenty-second is the fact that the system is not a simple one.

The twenty-third is the fact that the system is not a simple one.

The coordination of the Navy Program and Major Activity Program Objectives is accomplished by the Director of Navy Program Planning (OP-090) (see Fig. 2) by promulgating an overall guide to the Appropriation Sponsor. This information is passed to the MAS requesting these data to be submitted to him by a certain time. Recently the Five-Year Defense Plan has been used and it is only the changes that are requested.

The amount of original guidance provided by the Appropriation Sponsor to the MAS is limited. The MAS indicates that providing guidance in an appropriation atmosphere is almost impossible.

The setting of priorities and the size of programs is most difficult. The MAS receives the money authorized and fully administers the accounting from the major activity down through the budget activity, program, and program element levels. There is no well-defined priority schedule. However, when budget cuts are made these are coordinated with all concerned and the cuts are made using value judgments based on various aspects of the management reports and evaluations of other data. The control in this area is on an informal basis.

#### Activity 8: Naval Petroleum and Oil Shale Reserves<sup>1</sup>

This Major Activity Sponsor is responsible for the Navy's share of operating and production costs in Naval Petroleum Reserve No. 1 located in Elk Hills Field, California, under the unit plan contract with the

---

<sup>1</sup> Interview with J. J. Setar, Budget and Administrative Officer, Office of Naval Petroleum and Oil Shale Reserves, March 20, 1967.







The coordination of the Navy Program and Major Activity Program Objectives is accomplished by the Director of Navy Program Planning (OP-090) (see Fig. 2) by promulgating an overall guide to the Appropriation Sponsor. This information is passed to the MAS requesting these data to be submitted to him by a certain time. Recently the Five-Year Defense Plan has been used and it is only the changes that are requested.

The amount of original guidance provided by the Appropriation Sponsor to the MAS is limited. The MAS indicates that providing guidance in an appropriation atmosphere is almost impossible.

The setting of priorities and the size of programs is most difficult. The MAS receives the money authorized and fully administers the accounting from the major activity down through the budget activity, program, and program element levels. There is no well-defined priority schedule. However, when budget cuts are made these are coordinated with all concerned and the cuts are made using value judgments based on various aspects of the management reports and evaluations of other data. The control in this area is on an informal basis.

#### Activity 8: Naval Petroleum and Oil Shale Reserves<sup>1</sup>

This Major Activity Sponsor is responsible for the Navy's share of operating and production costs in Naval Petroleum Reserve No. 1 located in Elk Hills Field, California, under the unit plan contract with the

---

<sup>1</sup> Interview with J. J. Setar, Budget and Administrative Officer, Office of Naval Petroleum and Oil Shale Reserves, March 20, 1967.



Standard Oil Company of California. He also supervises the oil and gas leases on the Navy's lands in Naval Petroleum Reserve No. 2 at Buena Vista Hills Field in California.

The MAS provides drilling and production of offset wells on Naval Petroleum Reserve No. 3 at Teapot Dome Field in Wyoming, as well as drilling and production of gas wells in South Barrow Field of Naval Petroleum Reserve Field No. 4 in Alaska. He manages the Naval Oil Shale Reserves and is administrator for these reserves, including the hiring of petroleum consultants.

The MAS indicated that the role of the Appropriation Sponsor is difficult to define as it relates to him because it is not a day-to-day relationship. It consists primarily of feeding data to OP-04D as requested, which is mostly programming information and budget justification.

The MAS is in the Office of Naval Petroleum and Oil Shale Reserves and is not within the CNO organization. His office reports directly to the Under Secretary of the Navy. It is the role of the MAS to plan and develop the programs and the budget for the Appropriation Sponsor. Most monitoring of the budget is accomplished by the MAS in reviewing monthly reports received from the field offices located in Tupman, California, and in Midwest, Wyoming. The bulk of these reports relate to the progress of contractors and their costs incurred to date. The contractual relationship is based on a reimbursable cost-type plus fixed-fee contract (unit plan contract). The reports on the other expenses are received quarterly. These







expenses cover the personnel and other related costs which amount to approximately \$225,000 per year. The monthly and quarterly reports are adequate.<sup>1</sup>

The communications with their field activities is satisfactory. However, an integrated data system for all the Major Activity Sponsors would be a better system. On this basis all the costs and performance can be reviewed and compared to the Five-Year Defense Plan. The budgeting and administration of MAS 8 is currently being accomplished on a continuous program evaluation basis, usually utilizing the monthly reports.

The Director of the Office of Naval Petroleum and Oil Shale Reserves is the main contact for the program. Typically, the programs and budget justification are sent to NAVCOMPT. Mark-ups are made, and most of the differences are noted and settled over the phone. Generally speaking, the program is easily justified because it is small, usually has no large increases, and the sales of petroleum more than pay for the program. The costs incurred for Fiscal 1966 were \$4.6 million, whereas the income generated by petroleum sales for that same period was \$11.5 million.<sup>2</sup> The office does not participate in the OSD/BOB budget hearings inasmuch as NAVCOMPT handles it. In Congressional hearings, the

---

<sup>1</sup> Ibid.

<sup>2</sup> The petroleum sales income is remitted directly to the U.S. Treasury, as required by law.



Director is there as the principal supporting witness for the Appropriation Sponsor. During these budget reviews, OP-04D is furnished information for budget support and justification as requested. Most of the MAS 8 money is spent by Naval Petroleum Reserve No. 1, where one billion barrels of oil are stored. Any budget cuts are generally taken by Reserve No. 1, and this is usually accomplished by lengthening various jobs with lesser priority.





## CHAPTER VI

### OTHER APPROPRIATION SPONSOR RELATIONSHIPS

#### The Navy Comptroller

##### General

NAVCOMPT provides the CNO and, in particular, the O&M,N Appropriation Sponsor with the data on over-all appropriations. In exercising this responsibility, it systematically reviews the entire O&M,N appropriation at budget submissions and review, apportionment times, mid-year reviews, and other times, as appropriate; and submits the results of these reviews with recommendations to the Appropriation Sponsor. NAVCOMPT participates with the Appropriation Sponsor in discussions on the results of its reviews on matters involving programs and financial management decisions and in presenting jointly the results of these reviews to the CNO and the Secretary of the Navy. NAVCOMPT establishes savings objective assessments and specific reserves for major activities. It maintains a continuing review of the execution of the O&M,N budget plans and programs and furnishes situation reports to the Appropriation Sponsor. It also screens all contingency requirements, and obtains concurrence from the Appropriation Sponsor on the feasibility of providing funds from savings objectives and reserves or initiating



reprogramming action.<sup>1</sup>

In NAVCOMPT there are two offices that interrelate with the Appropriation Sponsor, and interviews were conducted with both of these offices.

#### Financial Analyst Branch<sup>2</sup>

In the area of budget performance, this organization is responsible for reviewing the O&M, N funding area and examining the progress of spending against planned performance for the Secretary of the Navy and the Appropriation Sponsor. This is accomplished strictly on an obligation and expenditure basis. If the expenditures are out of line, this office contacts the particular Major Activity Sponsor analysts. The O&M, N expenditures follow in a pattern since most of it should be recurring operating costs. Usually when the plan is lagging, it is because normal overhauls are deferred because of the current emphasis on Southeast Asia. The Secretary of the Navy is continually exerting pressure to determine why the allocated funds are not spent. Sometimes Program Managers have initiated reprogramming action and this is the reason for differences between the amounts authorized and the amounts actually spent. Another reason may be that money is held back for political reasons based upon a desired effect on the monetary control of the Nation's economy.

---

<sup>1</sup>Department of the Navy, Office of the Comptroller, NAVCOMPT Instruction 7042. 14, Operation and Maintenance, Navy; appropriation administration of, May 4, 1962.

<sup>2</sup>Interview with Richard E. Pett, Financial Analyst Branch, Progress Reports and Statistics Division, Director of Budgets and Reports, Office of the Navy Comptroller, February 28, 1967.





Financial reports on the status of the O&M,N funds are received from the Navy Finance Center, Washington, D. C. , indicating the appropriation, obligation, commitment, and reimbursable information. These reports of status are supposed to be received twenty-two days after the reporting period. Because of this long delay, a special flash report is prepared on the seventeenth, which contains some information that is actual and only partly estimated. An accurate and responsive information system is needed in order to make more timely management decisions. The first problem encountered is identifying the cost performance as early as possible. The present reports are too late to take action. When significant variances are noted, reprogramming action has been taken at the lower levels in the organization, and top management is unaware of the problem. As an example, if a ship's overhaul must be delayed because of some slippage in scheduling, the money might be better used in another way or for a different type of ship. As of the end of February, 1967, the January 31 report of actual expenses had not been received. The flash report method has too many large deviations when compared with the actual report received some two or more weeks later. The estimates in the flash report are at best estimates subject to human error because at the higher levels of management, not all the factors involved are readily discernible.

Liaison is maintained by personal contact and by telephone with all the Major Activity Sponsors in Washington, D. C. , at an organizational level that is usually below the CNO organization. When required, direct



communication flows to separate commands. Keeping the Secretary of the Navy, the Chief of Naval Operations, and the Chief of Naval Material currently briefed is sometimes a problem because of the difficulty of evaluating the many problems and changes in the administration of the O&M, N funds.

#### O&M, N Branch<sup>1</sup>

The head of the O&M, N Branch indicated that the Appropriation Sponsor has over-all program management and coordination responsibility for the O&M, N funds. As the Appropriation Sponsor, he provides staff assistance for decisions on the use and availability of resources and the evaluation of budget requirements.

This office is involved with the Appropriation Sponsor in both the budget submission and the budget apportionment and execution phases.

Budget submission. --Annually, NAVCOMPT sends a request for budget submissions to the Bureaus, Systems Commands, and Offices with a due date of August 15 for the forthcoming budget. This request is made eleven months before the budget is implemented. NAVCOMPT reviews these submissions for both the Appropriation Sponsor and the Secretary of the Navy under the NAVCOMPT charter. Recommendations resulting from this review are sent back to the specific Bureaus, Offices, and Systems Commands concerned. Copies are also sent to the CNO (the Appropriation

---

<sup>1</sup> Interview with John Lobi, Head, O&M, N Branch, Estimates and Analysis Division, Director of Budgets and Reports, Office of the Navy Comptroller, February 28, 1967.







Sponsor). The NAVCOMPT recommendations are highly influenced by the NAVCOMPT charter and political judgments may also influence some of the recommendations. For example, the amount of justification required by the Congress may have to be in greater detail in certain areas than in others, depending on Congressional interest.

At this time the Appropriation Sponsor directs his program sponsors and other commands to review the NAVCOMPT recommendations and consult with the Bureaus, Offices, and Systems Commands concerned to determine if there are rebuttals for the reclama to NAVCOMPT. During this time there is informal daily personal contact with all interested parties; then all reclamationas are submitted to NAVCOMPT. The final document coming out of this process is the NAVCOMPT mark-up, which shows the status of differences between what was recommended and what was finally decided. The Navy budget is presented to the Secretary of the Navy and any differences still unresolved are settled.

At this juncture, the Navy has a formalized budget and NAVCOMPT, the Appropriation Sponsor, the Bureaus, Offices, and Systems Commands all join together in supporting the Navy's submission in the OSD/BOB review. This review usually takes place about October 1. NAVCOMPT makes the presentation and justifies the programs. As a result of the OSD/BOB review, the Program Budget Decisions are issued. When the Navy reclamationas are entered, NAVCOMPT must get the Appropriation Sponsor's concurrence.



After the OSD/BOB review of the Navy budget has been completed, the budget is formalized for the Presidential budget submission to Congress sometime between February and April. The OSD/BOB presentation to Congress is general in nature and dwells on the nine defense programs. OSD usually comments on defense levels. In explaining the Navy program to Congress, the Appropriation Sponsor is the principal witness. In matters of financial or technical support, NAVCOMPT, the Bureaus, Offices, and Systems Commands provide the necessary support for the Appropriation Sponsor. At this point, the apportionment and budget execution process starts.

Budget Apportionment/Budget Execution. --The Head, O&M,N Branch views his duties as being two-fold. First, he has a responsibility to the NAVCOMPT, as established under the Comptroller's charter for fiscal responsibility Navy-wide. Secondly, he is responsible for appropriation administration, financial advice, and assistance to the O&M,N Appropriation Sponsor. In his role in support of the Appropriation Sponsor, he is obligated to make periodic reviews of the appropriation and advise him of the status and any serious financial ramifications. This is accomplished at apportionment reviews and mid-year reviews.

At the apportionment review, all Bureaus, Offices, and Systems Commands submit substantiating data which indicate the use of the funds. This starts in May or June before the funding is out. NAVCOMPT reviews all the apportionment requests and, on the basis of this analysis, makes







recommendations and suggestions to the Appropriation Sponsor. These usually relate to resource limitations and reprogramming actions, involving such specific items as the proper acceleration of overhead, realistic appraisals of program accomplishment, and the feasibility of price determinations. This review is a complete program analysis based on detailed factual information. After all the information is derived to support the detailed program analysis, funds are requested from OSD/BOB.

NAVCOMPT is aware of what Congress has directed, and the funding requests are made with the intent of Congress used as a guide. The request for funds is justified to OSD/BOB in the name of the Appropriation Sponsor and NAVCOMPT. Additional support for the Appropriation Sponsor and NAVCOMPT is provided by the Chief of Naval Material, the Bureaus, Offices, and Systems Commands. The support may be written or verbal.

In June, when the first quarterly apportionment process is complete, the yearly O&M,N budget is transmitted to OSD/BOB for approval. The same type of review is conducted as in the apportionment with the same organizational entities providing justification and support. When the DOD/BOB review process has been satisfactorily completed the BOB apportionment is requested. When this is allocated to NAVCOMPT, a half of 1 per cent contingency fund is deducted by putting limitations or restrictions on the funds distributed to the claimants in the lower levels of the Navy organization. This gives the Appropriation Sponsor a capability and flexibility to meet unforeseen contingencies.



The money allocated to the Bureaus, Offices, and Systems Commands has a degree of flexibility in that any of them can reprogram up to \$2 million in the aggregate before coming into NAVCOMPT. If financial reports indicate there is a large change in the budget execution from the planned program, NAVCOMPT notifies the Appropriation Sponsor and others concerned.

In NAVCOMPT the allocations and reports of performance are in terms of dollars. When there are significant variances from the planned program, NAVCOMPT consults with the Bureaus, Offices, and Systems Commands and requests explanations of why the program is not being carried out as originally planned.

In January, at the mid-year review, NAVCOMPT tries to establish a balanced priority between the present program and the unfunded requirements. This is accomplished by determining what resources are available to meet these new requirements through a "budget call" to the Bureaus, Offices, and Systems Commands. The "budget call" requests specific data for the particular program changes being recommended. This analysis embraces an examination of the original program and what was allocated. Questions such as these are asked: What can the command do in the program? What can it not do? What is available for reprogramming? When this information is received, NAVCOMPT spends about two weeks analyzing the data and formalizing recommendations for presentation to the Appropriation Sponsor. About one week is utilized by the Appropriation Sponsor in settling the differences between the NAVCOMPT recommendations







and those of the Bureaus, Offices, and Systems Commands. Frequently, the matters under consideration involve other organizational entities, such as CNM, CNO, and other DCNO's, reaching final determinations. If reprogramming is recommended, OSD approval is needed.

The mid-year review process usually requires five weeks. Last year it was accomplished in three. Current emphasis is on getting accurate information faster to decrease the time necessary for the decision-making process. Presently, the data used are a combination of (1) actual obligations and expenditures reported and (2) estimates of expenses not yet available because the information system was not responsive to current needs. The present time lag has to be overcome in order to render timely management decisions. Otherwise the money under consideration is spent before the Commands can be notified of the change in funding.

In May and June, problems occur both in new requirements and in areas where money is not spent. This happens because plans in an organization as large as the Navy historically become changed somewhat in their execution. A better management information system with more precise and detailed management data would be most desirable in this area.

The Appropriation Sponsor has not defined his information requirements in terms of specific data needed to make his management decisions. In this same area the present NAVCOMPT reporting system is incapable of being analyzed in depth for several reasons: (1) Section 3679 of the Anti-Deficiency Act emphasizes keeping spending within certain limitations to



avoid legal problems and constraints; (2) the present type of reporting does not indicate the accomplishments made against the plans; and (3) the financial reports are highly summarized and are not susceptible to detailed analysis.

### The Office of the Chief of Naval Material<sup>1</sup>

The Office of the Chief of Naval Material (CNM) in the Department of the Navy chain of command is organizationally between the six systems commands and the CNO (see Fig. 4). Therefore, the CNM provides the organizational coordination and interface between the Appropriation Sponsor and the Systems Commands.

The Programming and Budget Officer for the CNM sees the role of the Appropriation Sponsor as one of determining the priorities of the Navy's needs by evaluating the financial requirements of the six Systems Commands. Another responsibility is determining the program objectives, which are the basis for budget submissions from the Systems Commands to the CNM. The CNM formulates the budget material for all six Commands. Last year the program objectives were not used extensively. All policy decisions of the Systems Commands on financial matters should be routed through the CNM. However, there are times when the CNM is circumvented. CNM contact with the OP-04D staff is only occasional. Routine day-to-day work

---

<sup>1</sup> Interview with Nicholas Georgatsas, Programming and Budget Officer, Office of the Chief of Naval Material, March 2, 1967.







of the Systems Commands with NAVCOMPT is conducted on a direct basis most of the time without consulting the CNM.

In regard to monitoring the budget, progress reports are received monthly--usually from the 20th to the end of the month for the accounting period ending on the last day of the previous month. Some of the reports are fiscal information in the usual budget structure of commitments, obligations, and appropriations. Others relate to performance such as the status of ship overhauls and alterations. The reporting system is slow. However, the CNM receives the information as quickly as the Systems Commands. If the reporting information were received earlier, it would make very little difference because the higher levels of management cannot be as responsive to problems as can a field activity. When the field activities or Systems Commands encounter critical problems, these are sent up the chain of command. The CNM has a plan that indicates the predicted rate of obligation and if there is a lag it is easily determined by the monthly reports. However, the CNM has a limited amount of personnel, so that action in these areas is usually routed to the Systems Commands for resolution. Generally speaking, if a problem involves policy, it is written by the CNM from information received from the Systems Commands.

At the NAVCOMPT hearings the witnesses who justify the budget submission are from the particular Systems Commands management code concerned. At this same time, their budget submissions are processed through the CNM. At the OSD/BOB hearings, the CNM is represented with



the Appropriation Sponsor and the Systems Commands. The CNM, the Chiefs of the Systems Commands, and the Bureaus attend the Congressional hearings in support of the Appropriation Sponsor as the principal witness.

In regard to the coordination of the program and major activity objectives, the CNM has not been involved. The CNM did not use these last year, and they are not used very much by the Systems Commands. The CNM has, to date, not received adequate guidance from the Appropriation Sponsor.

In regard to who determines priorities and size of the programs, the CNO determines the priorities, and the size is determined by the budgets submitted to OSD. After the OSD/BOB review, the Program Budget Decisions are issued, which usually reduce the size of the program in certain areas. CNM may enter a reclama, but if not, the budget reduction is taken where OSD/BOB makes it. If a reclama is made and not accepted, and if the CNM still feels strongly about the reduction, it may reprogram money under the \$5 million aggregate authorization unless specifically restrained by higher authority from doing this. The priority system in the budget execution phase exists at the command level. It is usually a Systems Command problem solved by using value judgment factors with the supportable data at the field.

Liaison with Bureaus and the Systems Commands is usually conducted by telephone. There does not appear to be an organizational problem. Whenever a change in policy is desired, it is submitted to the CNO. The



The first of these is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The second is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The third is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected.

The fourth is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The fifth is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The sixth is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected.

The seventh is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The eighth is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected. The ninth is the fact that the system is not a simple one. It is a complex system, and the complexity is not only in the number of components, but also in the way they are connected.



CNM has been within the CNO's organization only since May 1, 1966, and there are still some refinements in organizational relationships and structure that are yet to be formulated.



## CHAPTER VII

### SUMMARY

The introduction to this study posed the question: "Is the CNO, O&M, N Appropriation Sponsor organized in an optimum manner to facilitate the Navy's management decision-making process?"

In an effort to find an answer to this question, pertinent books, manuals, directives, and instructions pertaining to the Appropriation Sponsor and the requirements of the Planning, Programming, and Budgeting System were reviewed and evaluated. In this study primary emphasis was given to the Appropriation Sponsor's responsibilities as delineated in the Navy Programming Manual. The organization of the Department of the Navy was analyzed in order to relate the Appropriation Sponsor's placement and interrelationships within the Navy organization. Personal interviews were conducted with each of the eight Major Activity Sponsors who support the Appropriation Sponsor in the O&M, N management and administration of funds. Interviews were also conducted with personnel in the Office of the Navy Comptroller and the Office of the Chief of Naval Material, whose offices also render support to the Appropriation Sponsor. The summary and findings which follow are based on the information that was obtained.





In the Navy the O&M, N Appropriation Sponsor of the CNO is basically responsible for guiding and coordinating the objectives of all Program and Major Activity Sponsors; for resolving the priority and size of these programs within the appropriation; for presenting and justifying the Navy programs; for reviewing the status and performance of programs; and for maintaining liaison with the Appropriation Administrators (Bureaus, Offices, and Systems Commands). These responsibilities start in the early stages of budget development and continue through to final budget execution. His organization staff and information system must be adequate to achieve program effectiveness and to satisfy the environmental pressures of the SECNAV, DOD, BOB, the President, Congress, and others.

In his formal relationships, the O&M, N Appropriation Sponsor relies heavily on his Assistant for Programs and Budget, the Major Activity Sponsors, NAVCOMPT, and the Chief of Naval Material in complying with the requirements of the DOD planning, programming, and budgeting system. The Assistant for Programs is charged with being a total information center supporting the Appropriation Sponsor in obtaining timely information to defend budget submission and execution. The Major Activity Sponsors are responsible for performing the same function as the Appropriation Sponsor within their respective assigned elements. NAVCOMPT's duties are to conduct reviews of all phases of the entire appropriation and to present the results of these reviews to the Appropriation Sponsor. These NAVCOMPT duties also embrace reviewing Program Budget Decisions and Program



Budget Requests and rendering recommendations on the impact of these actions on the appropriation. The Chief of Naval Material is responsible to the Appropriation Sponsor for coordinating the appropriation data of the six Systems Commands. The current CNM organizational relationship has existed only since the reorganization of the Navy on May 1, 1966.

#### Assistant for Programs and Budget

This office provides staff assistance in gathering the total information required for the O&M, N Appropriation Sponsor's responsibility. The responsibility includes being a central contact point on all program and budget matters; coordinating and providing guidance to the Major Activity Sponsors; screening and commenting on management proposals; justifying presentations at various program and budget reviews; and monitoring the budget execution.

The Assistant for Programs and Budget, acting for the Appropriation Sponsor, does not do all, nor is he capable of doing all, that is required as delineated in the Navy Programming Manual. He does not jointly coordinate the major activity sponsors or set priorities and size of the programs within the O&M, N appropriation, or provide adequate written guidance to the Major Activity Sponsors on how to review and monitor the appropriation.

The major reasons that these responsibilities are not accomplished are in the cumbersome organization, insufficient staff, lack of time to





prepare responses to inquiries, and an inadequate information system. The Assistant for Programs and Budget Office has a personal staff of two people who spend most of their time in building, justifying, and gaining approval of their budget. In the Appropriation Sponsor's organization, only four of the Major Activity Sponsors are under his direct management control. One MAS is directly under the Under Secretary of the Navy; the others are in the Bureau of Personnel, OP-05, and OP-09B, respectively. This situation presents a problem of dual allegiance and responsibility. In regard to time, many important management decisions, such as reklamas to PBD's, have to be made in as short a time as seventy-two hours. This office does not have the detailed books of account, and in most instances the Major Activity Sponsors do not have them either. It is therefore difficult to acquire precise relevant information in the short time that is available, other than through short-cuts and innovations, to make sound management recommendations and decisions. NAVCOMPT has the responsibility for total appropriations administration, but the Appropriation Sponsor has not advised NAVCOMPT of the specific management reports he desires.

#### The Major Activity Sponsors

The Major Activity Sponsors are unique in that each has a different type of function. The effectiveness of each is based on the quality of his discretion, not on Appropriation Sponsor guidance. In the case of MAS 1 (BuPers), MAS 2 (Weapons and Facilities), MAS 7 (Servicewide



Operations), and MAS 3 (Naval Petroleum and Oil Shale Reserves), adequate management information data are available within each organization. In all but MAS 2, the books of account are maintained on-site. Each of these four organizations has direct access to superiors of an equal or higher organizational status than the Appropriation Sponsor. MAS 3 (Ships and Facilities), MAS 4 (Medical Care), MAS 5 (Civil Engineering), and MAS 6 (Servicewide Supply) are located within the Appropriation Sponsor's organization and each has access to required management information on request from the Bureaus, Offices, and Systems Commands. Where a Major Activity Sponsor actually possesses accounting records and performance data, he is in a better position to review the complete budget process. On the other hand, when an MAS does not have a responsive information system, his effectiveness is limited by the need to obtain information on periodic requests on problems that come up from lower levels in the Navy organization. In these cases, his function is fragmented, and reviewing the budget process is very difficult.

In looking at the Major Activity Sponsor from an overview, each operates independently. Presently there is no mechanism to coordinate the endeavors of all of them into an integrated effort. Because of this situation, the Appropriation Sponsor is not in a position to compare one MAS with another and determine through evaluation the impact of alternative courses of action, except during the mid-year review. Typically, when financial problems occur, other than at mid-year review, they are resolved on an ad hoc or special basis. When an emergency situation arises that requires funding, the







Appropriation Sponsor cannot evaluate the performance of programs on an informal basis. He needs to be informed of those programs with the least priority in order to make decisions on the allocation of funds.

Office of the Comptroller of the  
Navy (NAVCOMPT)

NAVCOMPT is responsible to the O&M, N Appropriation Sponsor for over-all appropriations administration. Initial budget submissions are made to NAVCOMPT by the Bureaus, Offices, and Systems Commands. After NAVCOMPT makes recommendations in the review form of the NAVCOMPT mark-up, these recommendations are sent to the Bureaus, Offices, and Systems Commands with copies to the Appropriation Sponsor. The Appropriation Sponsor has the role of a decision maker at meetings which follow where reclamas to the NAVCOMPT mark-up are presented by the interested parties. Almost all of the problems are handled at this level. However, in instances where problems cannot be resolved, the decision is made at higher levels, with the Secretary of the Navy having the final decision, if necessary.

At the OSD /BOB review, NAVCOMPT, the Appropriation Sponsor, and the Bureaus, Offices and Systems Commands act as one entity in supporting the Navy budget. The PBD's that result from this review are processed by NAVCOMPT coordinated with the office of the Appropriation Sponsor. Navy reclamas, however, must have the Appropriation Sponsor's concurrence.

the following is a summary of the results of the investigation of the  
 effect of the concentration of the solution of the polymer on the  
 rate of the reaction of the polymer with the reagent.

### RESULTS AND DISCUSSION

The results of the investigation of the effect of the concentration of the  
 solution of the polymer on the rate of the reaction of the polymer with the  
 reagent are shown in Table I. The results show that the rate of the  
 reaction of the polymer with the reagent increases with increasing  
 concentration of the solution of the polymer. The rate of the reaction  
 of the polymer with the reagent is also affected by the concentration of  
 the reagent. The rate of the reaction of the polymer with the reagent  
 increases with increasing concentration of the reagent. The rate of the  
 reaction of the polymer with the reagent is also affected by the  
 concentration of the polymer. The rate of the reaction of the polymer  
 with the reagent increases with increasing concentration of the polymer.  
 The rate of the reaction of the polymer with the reagent is also  
 affected by the concentration of the reagent. The rate of the reaction  
 of the polymer with the reagent increases with increasing concentration  
 of the reagent. The rate of the reaction of the polymer with the  
 reagent is also affected by the concentration of the polymer. The  
 rate of the reaction of the polymer with the reagent increases with  
 increasing concentration of the polymer.

The results of the investigation of the effect of the concentration of the  
 solution of the polymer on the rate of the reaction of the polymer with the  
 reagent are shown in Table I. The results show that the rate of the  
 reaction of the polymer with the reagent increases with increasing  
 concentration of the solution of the polymer. The rate of the reaction  
 of the polymer with the reagent is also affected by the concentration of  
 the reagent. The rate of the reaction of the polymer with the reagent  
 increases with increasing concentration of the reagent. The rate of the  
 reaction of the polymer with the reagent is also affected by the  
 concentration of the polymer. The rate of the reaction of the polymer  
 with the reagent increases with increasing concentration of the polymer.

TABLE I

At Congressional hearings the Appropriation Sponsor makes the presentation of the Navy's programs. He is backed up with detailed information by the Bureaus, Offices, Systems Commands, and NAVCOMPT.

In carrying out the responsibility of budget and execution, the NAVCOMPT makes detailed reviews during apportionments and during the mid-year review of the appropriation. These reviews usually relate to resource limitations, reprogramming actions, program accomplishment, the feasibility of accounting practices, and the utilization of contingency reserves. As the reviews of NAVCOMPT continue, an attempt is made to establish a balanced priority between the present program and unfunded requirements. The NAVCOMPT reviews emphasize obtaining accurate information on a timely basis. The data used are a combination of actual obligations and expenditures reported by field activities and estimates of financial information not yet available. The O&M,N appropriation information system is not responsive to top-level management needs since reports are often one month after-the-fact when received, and the procedure for estimating expenditures is prone to large deviations from the actual reports subsequently received. The present reporting system is not, in fact, analyzed in depth because of concern for Section 3679 of the Anti-Deficiency Act, which stresses not spending more than certain limitations to avoid legal problems and constraints. This requires management to conform to the letter of the law rather than reevaluating whether the money should be used in a more productive manner. The present reporting system,







furthermore, does not relate the accomplishments made relative to the plans and programs, and the financial reports are highly summarized and not susceptible to detailed analysis required by the Appropriation Sponsor.

#### Office of the Chief of Naval Material (CNM)

The Chief of Naval Material provides the organizational link and coordination between the Appropriation Sponsor and the Systems Commands. All policy decisions relating to the Systems Commands on financial matters need to be submitted to him for approval. However, there have been instances when he has not been consulted.

This Office receives monthly performance reports, which are usually developed as of the end of the preceding month. These reports pertain to both fiscal and performance information. However, the reporting system is slow and not conducive to making management decisions except at lower levels. The Chief of Naval Material has a master plan that indicates the predicted rate of obligations, and if there is a lag, it is easily determined by the monthly reports. If the problem does not involve policy, it is passed to the Systems Commands for resolution.

The Systems Commands conduct their routine day-to-day work on a direct basis with other organizations without consulting the CNM. All Systems Command problems involving policy are processed by the CNM from information received from the Commands.

In regard to coordinating the program and major activity objectives, the Chief of Naval Material and the Systems Commands have not been very



much involved. Emphasis is put on following financial objectives of the budget and appropriation structure. The CNM does not receive adequate written appropriation guidance from the Appropriation Sponsor. However, budget guidance is issued by NAVCOMPT through issuance of the budget-call. The CNM also participates in all program and budget decisions involving the budget process of the Systems Commands.

The priorities and size of the programs are determined by the budget process. If budget cuts are made at higher levels, they are taken in the specific area indicated. Otherwise, the Chief of Naval Material may reprogram up to a \$5 million aggregate if not directed to the contrary.

### Findings

Research has shown that the principal focus of the Appropriation Sponsor is addressed to three major areas: budget submission, budget review, and budget execution.

Analysis of the information presented indicates that he is able to accomplish the first two responsibilities even though NAVCOMPT has a dual allegiance to the Appropriation Sponsor and the Secretary of the Navy and the splintered structure of the Major Activity Sponsor organization.

NAVCOMPT, under its charter, has allegiance to the Secretary of the Navy for the formulation of principles, policies, and procedures in the areas of budget, accounting, audit, and progress and statistical reporting within the Department of the Navy. The essence of this responsibility is to achieve







optimum management with efficiency and economy. On the other hand, the NAVCOMPT is also responsible for over-all appropriation administration to the O&M,N Appropriation Sponsor. This relationship is a dichotomy which presents a conflict of interest in what is required by the staff role of fiscal responsibility for all organizations in the Navy and the over-all appropriation administration responsibility for one of its elements. Relative to the eight Major Activity Sponsors, only four of them are within the Appropriation Sponsor's organization. Three of the Major Activity Sponsors are integral parts of other organizations within the CNO, and the other one is located in the office of the Under Secretary of the Navy. For the most part, these organizational obstacles have been successfully handled through effective liaison and the detailed review and justification procedures adhered to in the Department of the Navy.

In the area of budget execution, however, the results are not quite as successful. The chief difficulties that seem to affect the results are the requisite for establishing the size and priorities of programs; the necessity for adequate appropriation guidance to NAVCOMPT and the Major Activity Sponsors; the need to effect joint coordination of objectives of all programs and Major Activity Sponsors; and the need to monitor the budget execution phase on a continuous basis.

For the Appropriation Sponsor to have more effective management of the O&M,N funds would involve his increasing the size of the OP-04D staff and a series of other administrative actions, such as defining the



organizational relationships of the Major Activity Sponsors, NAVCOMPT, the Office of the Chief of Naval Material, the Bureaus, and the Systems Commands in support of the Appropriation Sponsor; furnishing appropriation guidance to these same organizations; establishing joint coordination of the objectives of all programs and Major Activity Sponsors; providing a system for monitoring the execution phase on a continuous basis; and developing a timely and responsive management information system.





## BIBLIOGRAPHY

### Public Documents

- U.S. Bureau of the Budget. The Budget of the United States Government for the Fiscal Year ending June 30, 1967. 1966.
- U.S. Constitution.
- U.S. Department of Defense. A Primer on Project PRIME. November, 1966.
- U.S. Department of Defense, Assistant Secretary of Defense, Comptroller. Interim Operating Procedure No. 1: Major Force Oriented Issues. June 29, 1966.
- \_\_\_\_\_. Interim Operating Procedure No. 2: Program Change Requests. June 30, 1966.
- \_\_\_\_\_. Interim Operating Procedure No. 3: Procedures for Updating the Five-Year Defense Program. August 11, 1966.
- \_\_\_\_\_. Interim Operating Procedure No. 4: Program/Budget Structure Changes. August 25, 1966.
- U.S. Department of Defense. Department of Defense Directive No. 7045.1: DOD Programming System. October 30, 1964.
- \_\_\_\_\_. Department of Defense Directive No. 7000.1: Resource Management Systems of the Department of Defense. August 22, 1966.
- U.S. Department of the Navy. Navy Cost Information System. Part 1, Revision 2. July 1, 1965.
- \_\_\_\_\_. Navy Regulations. 1948.
- U.S. Department of the Navy, Bureau of Naval Personnel. Financial Management in the Navy. NAVPERS No. 10702-A. 1962.
- \_\_\_\_\_. Naval Orientation. NAVPERS 16138-D, 1961, p. 210.



- U.S. Department of the Navy. OPNAV Instruction 5000.19E: The Navy Planning and Programming System.
- U.S. Department of the Navy, Office of the Chief of Naval Operations. Navy Programming Manual, OPNAV 90P-1A, March 9, 1967.
- U.S. Department of the Navy, Office of the Comptroller. Budget Digest for Fiscal Year 1967, NAVSO P-1355, 1966.
- \_\_\_\_\_. The Budget Process in the Navy. 1959.
- \_\_\_\_\_. SECNAV Instruction 7042.7C: Allotments Granted from "Contingencies of the Navy" of the Appropriation, Operation and Maintenance, Navy; use of. July 19, 1966.
- \_\_\_\_\_. NAVCOMPT Instruction 7042.14: Operation and Maintenance, Navy; Appropriation Administration of. May 4, 1962.
- \_\_\_\_\_. Navy Comptroller Manual, Vol. 8, NAVEXOS P-1000-8, 1961.
- U.S. Department of the Navy, Office of the Director of the Program Information Center. Presentation Notes for DOD Programming System in the Department of the Navy. October, 1965.

#### Books

- Burkhead, Jesse. Government Budgeting. New York: John Wiley & Sons, Inc., 1956.
- Hitch, Charles J. Decision Making for Defense. Berkeley and Los Angeles: University of California Press, 1965.
- Mosher, Frederick C. Program Budgeting: Theory and Practice. New York: American Book - Stratford Press, Inc., 1954.
- Ott, David J., and Ott, Attiat F. Federal Budget Policy. Washington: The Brookings Institution, 1965.
- Rummel, Francis J., and Ballaine, Wesley C. Research Methodology in Business. New York: Harper and Row, 1963.
- Smithies, Arthur. The Budgetary Process in the United States. New York: McGraw-Hill Book Co., 1955.







Weidenbaum, Murray L. Federal Budgeting -- Choice of Government Programs. Washington: American Enterprise Institute for Public Policy Research, 1964.

Wildavsky, Aaron. The Politics of the Budgetary Process. Boston: Little, Brown, and Company, 1964.

#### Article

Navy Times, March 16, 1966.

#### Interviews

Barnhart, Captain R. C., USN, Assistant for Programs and Budget, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, January 4, 1967.

Brock, Captain C. C., Jr., USN, Head, Budget and Planning Branch, Ships Material Readiness Division; Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 28, 1967.

Elliott, William E., Assistant for Budget to the Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 17, 1967.

Eustis, Vince, Head of the Budget and Programming Branch, OPNAV Comptroller, Office of Naval Administration, Vice Chief of Naval Operations, Office of the Chief of Naval Operations, March 1, 1967.

Foley, P. W., Assistant for Budgets and Programs, Procurement and Plans Review Section, Material Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 24, 1967.

Georgatsas, Nicholas, Programming and Budgeting Officer, Office of the Chief of Naval Material, March 2, 1967.

Hamilton, Commander T., Jr., SC, USN, Assistant to the Head, Shore Activities Control Branch, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, February 24, 1967.



- Johnson, W. A. , Head of Procurement Research and Operations, Budget Branch, Bureau of Naval Personnel, March 6, 1967.
- Lobi, John, Head, O&M,N Branch, Estimates and Analysis Division, Director of Budgets and Reports, Office of the Navy Comptroller, February 28, 1967.
- Murphy, Commander R. F. , SC, USN, Budget Officer for Programs and Budget, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, March 3, 1967.
- Pett, R. E. , Financial Analysis Branch, Progress Reports and Statistics Division, Director of Budgets and Reports, Office of the Navy Comptroller, February 28, 1967.
- Rohall, M. R. , Supervisory Budget Officer, Active Fleet Programs, Comptroller Division, Ship Systems Command, March 8, 1967.
- Scott, Lt. Colonel K. M. , USMC, Assistant for Aviation, O&M,N,Deputy Chief of Naval Operations (Air), Office of the Chief of Naval Operations, February 24, 1967.
- Setar, J. J. , Budget and Administrative Officer, Office of Naval Petroleum and Oil Shale Reserves, March 20, 1967.
- Sheehan, Captain W. J. , SC, USN, Head Material Management Branch, Material Division, Deputy Chief of Naval Operations (Logistics), Office of the Chief of Naval Operations, March 1, 1967.







thesB7975

The role of the appropriation sponsor in



3 2768 002 08293 5

DUDLEY KNOX LIBRARY

THOMSON  
LAW  
FACULTY